

SENATE.

SATURDAY, March 16, 1918.

The Chaplain, Rev. Forrest J. Prettyman, D. D., offered the following prayer:

Almighty God, we seek Thee earnestly, we trust with a passionate desire to know Thy will, that we may have a clear conception of the duties of this hour, that we may be the elect of God for service sent under Thine own direction, inspired by Thy Holy Spirit to accomplish Thy great purpose in this Nation and in the world. Call us to Thyself in the service of humanity and fit us for this divine enterprise. For Christ's sake. Amen.

The Journal of yesterday's proceedings was read and approved.

PERSONAL EXPLANATION.

Mr. FLETCHER. Mr. President, I wish to state by way of personal explanation that yesterday when the votes were taken which appear on pages 3546 and 3547 of the CONGRESSIONAL RECORD I was necessarily absent on business of the Senate.

Mr. GALLINGER. The Senator from Florida has called attention to the fact that on yesterday when he was necessarily absent two votes were taken. I am paired with that Senator and did not notice that the Senator was absent from the Chamber, having observed him in the Chamber a little while before I voted. It was an oversight on my part, which I regret.

PETITIONS AND MEMORIALS.

Mr. TILLMAN. Mr. President, I send to the desk and wish to have noted in the RECORD several petitions from South Carolina colleges, including the State Normal and Industrial College at Rock Hill, known as Winthrop College; and one from other women of the State, asking me to vote for the woman-suffrage amendment.

Of course they did not expect me to comply with their request, knowing my attitude on the question. I think the women will get the vote in time, but it is not a question for the National Government to decide and any interference in Washington in regard to the ballot is contrary to my ideas of constitutionality.

I would like to have the number of ladies signing these petitions counted and printed.

The VICE PRESIDENT. In the absence of objection, the request of the Senator from South Carolina will be complied with.

The petitions are as follows:

Petition signed by 16 women of Richland County, S. C.;

Petition signed by 24 teachers and pupils of Anderson Woman College, South Carolina;

Petition signed by 17 teachers of Converse College, South Carolina;

Petition signed by 202 teachers and pupils of Coker College, South Carolina; and

Petition signed by 877 teachers and pupils of Winthrop College, South Carolina.

Mr. PHELAN presented a memorial of the American Institute of Architects, of San Francisco, Cal., remonstrating against the presentation and erection in prominent places in the capitals of one or more of the nations now allies of the United States replicas of Barnard's statue of Abraham Lincoln, which was referred to the Committee on the Library.

REPORTS OF COMMITTEE ON MILITARY AFFAIRS.

Mr. FLETCHER, from the Committee on Military Affairs, to which was referred the bill (S. 3426) to empower the President to requisition timber and timber products for war purposes, reported it with amendments and submitted a report (No. 316) thereon.

Mr. MYERS, from the Committee on Military Affairs, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

S. 164. A bill for the relief of Adolph F. Hitchler (Rept. No. 315); and

S. 1478. A bill for the relief of John F. Kelly (Rept. No. 314).

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. OVERMAN:

A bill (S. 4121) to amend section 9 of chapter 252, volume 29, of Public Statutes at Large;

A bill (S. 4122) to amend section 10 of chapter 252, volume 29, of Public Statutes at Large, an act approved May 28, 1896, as amended by chapter 161, volume 35, Public Statutes at Large, passed by the second session of the Sixtieth Congress, February 19, 1909;

A bill (S. 4123) to amend section 7 of chapter 252, volume 29, of the Public Statutes at Large;

A bill (S. 4124) to amend section 12 of chapter 252 of volume 29 of the Public Statutes at Large, the act of May 28, 1896;

A bill (S. 4125) to amend chapter 200, volume 35, of the Public Statutes at Large, passed by the Sixtieth Congress, first session, May 27, 1908; and

(By request) a bill (S. 4126) to amend sections 226 and 228 of the Judicial Code, by increasing the maximum price for which the reports of the Supreme Court may be disposed of, and by defining in part the authority of the Attorney General to purchase such reports for use in the Department of Justice (with accompanying papers); to the Committee on the Judiciary.

By Mr. MARTIN:

A bill (S. 4127) to authorize the W. M. Ritter Lumber Co., a corporation, to construct bridges across the branches and tributaries of the Big Sandy River and their tributaries, in the counties of Buchanan and Dickenson, in the State of Virginia; to the Committee on Commerce.

By Mr. FLETCHER:

A bill (S. 4128) granting a pension to Sallie Hardwick (with accompanying papers); to the Committee on Pensions.

By Mr. McCUMBER:

A bill (S. 4129) granting an increase of pension to Andrew Nelson (with accompanying papers); to the Committee on Pensions.

By Mr. POMERENE:

A bill (S. 4130) granting a pension to Martin L. White; to the Committee on Pensions.

By Mr. KENYON:

A bill (S. 4131) granting an increase of pension to Martin B. Fitch (with accompanying papers); to the Committee on Pensions.

AMENDMENT TO LEGISLATIVE APPROPRIATION BILL.

Mr. STERLING submitted an amendment proposing to appropriate \$4,327.50 to enable the Secretary of the Senate to pay those officers and employees of the Senate borne on the roll known as the soldiers' roll, in accordance with the provisions of Senate resolution of July 14, 1911, etc., intended to be proposed by him to the legislative, etc., appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

PENSIONS AND INCREASE OF PENSIONS.

The VICE PRESIDENT. The morning business is closed.

Mr. WALSH. Mr. President, yesterday the Senate passed the bill (S. 3799) granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent relatives of such soldiers and sailors. At the time the bill was under consideration I was in attendance at a session of the Judiciary Committee. Some amendments ought to have been made to the bill in consequence of the death of some of the beneficiaries since the bill was reported. I ask unanimous consent to reconsider the votes by which the bill was ordered to a third reading and passed.

Mr. SMOOT. I will say to the Senator that the rule has generally been that the House acting upon the bill last takes care of the deaths that have occurred since the introduction of the bill, and as this is a Senate bill I am quite sure that it will be taken care of in the House, and therefore it will not be necessary to recall the bill. However, if the Senator desires to have it recalled, I have not any objection. I am only stating what the rule has been in the past.

Mr. WALSH. I am not able to speak about the rule, but I would prefer not to send a bill to the House carrying appropriations for beneficiaries who have since died.

Mr. SMOOT. I have no objection, of course, but only made the statement because it has been the rule.

The VICE PRESIDENT. The bill is still in the possession of the Senate. Without objection, the votes by which the bill was ordered to a third reading and passed will be reconsidered. The amendments sent to the desk by the Senator from Montana will be stated.

The SECRETARY. On page 2, strike out lines 9, 10, 11, and 12, in the following words:

The name of George Leadbeater, late of Company E, Two hundred and fourteenth Regiment Pennsylvania Volunteer Infantry, and pay him a pension at the rate of \$30 per month in lieu of that he is now receiving.

The amendment was agreed to.

The SECRETARY. On page 11, strike out lines 3, 4, 5, and 6 in the following words:

The name of Milton Laird, late of Company I, Fifth Regiment Pennsylvania Reserves Volunteer Infantry, and pay him a pension at the rate of \$40 per month in lieu of that he is now receiving.

The amendment was agreed to.

The SECRETARY. On page 12, strike out lines 20, 21, 22, and 23 in the following words:

The name of William A. Bodine, late of Company I, Thirty-seventh Regiment Indiana Volunteer Infantry, and pay him a pension at the rate of \$40 per month in lieu of that he is now receiving.

The amendment was agreed to.

The SECRETARY. On page 19, strike out lines 9, 10, 11, and 12 in the following words:

The name of Joseph T. Lewis, late of Company G, Eleventh Regiment Indiana Volunteer Infantry, and pay him a pension at the rate of \$50 per month in lieu of that he is now receiving.

The amendment was agreed to.

The SECRETARY. On page 23, strike out lines 11, 12, 13, 14, and 15 in the following words:

The name of Henry Lee Anderson, late major and brevet Lieutenant colonel One hundred and ninety-fourth Regiment Ohio Volunteer Infantry, and pay him a pension at the rate of \$50 per month in lieu of that he is now receiving.

The amendment was agreed to.

The SECRETARY. On page 32, strike out lines 22, 23, and 24 in the following words:

The name of James Stuart, late of Capt. Ahl's Independent Battery, Delaware Volunteer Heavy Artillery, and pay him a pension at the rate of \$50 per month in lieu of that he is now receiving.

The amendment was agreed to.

Mr. WALSH. I wish to explain that in each of these cases the beneficiary has died since the bill was reported.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

CALLING OF THE ROLL.

Mr. WILLIAMS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Borah	Johnson, S. Dak.	Nugent	Sterling
Calder	Jones, Wash.	Overman	Swanson
Culberson	Kellogg	Pittman	Thomas
Curtis	King	Pomerene	Tillman
Dillingham	McCumber	Reed	Townsend
Fletcher	McKellar	Shafroth	Trammell
Gallinger	McLean	Sheppard	Wadsworth
Hale	McNary	Sherman	Walsh
Hardwick	Martin	Smith, Ariz.	Williams
Henderson	Nelson	Smith, Ga.	Wolcott
Hollis	New	Smoot	

Mr. McNARY. I desire to announce the absence of my colleague [Mr. CHAMBERLAIN] on account of illness.

The VICE PRESIDENT. Forty-three Senators have answered to the roll call. There is not a quorum present.

Mr. RANSDELL, Mr. KENYON, Mr. KIRBY, Mr. WATSON, Mr. VARDAMAN, Mr. MYERS, Mr. POINDEXTER, Mr. GORE, Mr. FALL, Mr. FRANCE, Mr. HARDING, Mr. BECKHAM, Mr. SUTHERLAND, Mr. FREELINGHUYSEN, Mr. GEORNA, Mr. UNDERWOOD, Mr. SHIELDS, and Mr. THOMPSON entered the Chamber and answered to their names.

Mr. SUTHERLAND. I wish to announce the absence of my colleague [Mr. GORE] on account of illness.

The VICE PRESIDENT. Sixty-one Senators have answered the roll call. There is a quorum present.

COAL SITUATION IN COLORADO.

Mr. SMITH of Georgia. I move that the Senate proceed to the consideration of House bill 9054, the Agricultural appropriation bill.

Mr. THOMAS. Is the morning business over?

The VICE PRESIDENT. It is closed.

Mr. THOMAS. Will the Senator from Georgia permit me?

Mr. SMITH of Georgia. I yield.

Mr. THOMAS. Mr. President, it is my painful duty to announce this morning to the Senate that the Garfield forces have captured the second line of the trenches in Colorado. This news comes to me in the following telegram:

DENVER, COLO., March 14, 1918.

Senator CHARLES S. THOMAS,
Senate Office Building, Washington:

Herewith is a partial list of the mines that I know of that are idle in this State to-day: Cadell, Gordon, Larimer, Strong, Toga, Big Four, Rugby, Mutual, Ludlow, Toltec, Harris, Fox, Matchless, Acme, Hecla, Standard, Frederick, Grant, Royal Gorge, Emerald, Wolf, Park, Reliance, King, Black Canon, Black Diamond, Oakdale, Ravenwood, Maitland, Bowen, Chandler, Radiant, Puritan, Baum, Monarch, Centennial, Firestone, Evans, Russell, Ideal, Shamrock, Sunnyside, Nonpareil, McGregor, Bear River, International, Indian Creek, Rontz, Pinnacle, Curtis, Wedge. Total tonnage lost these mines to-day, 18,165; total men out of employment in these mines, 4,143. Am told that many miners are already leaving our State, feeling that our operators can not work under prices that have been set, or the operators be able to continue paying present high wage scale unless price of March 11 is revised to that in effect November 1, date we were compelled to advance wages \$1.40 per day. I contend we should be allowed to immediately reduce our wages to scale in effect during October.

HARRY F. NASH.

Mr. President, the loss of 18,165 tons a day in these 51 mines is the equivalent of 544,950 tons per month and 6,539,400 tons per year, and 4,143 men at \$5 a day are deprived of \$20,715 a day and \$621,450 a month.

So successful, Mr. President, has the Garfield campaign been that I imagine before the next week is over they will have captured every line except the eminence commanded by the Colorado Fuel & Iron Co.

TOAST TO THE KAISER.

Mr. WILLIAMS. Mr. President, I think it is well enough now and then, while we are discussing matters of world-wide import, like the hours of labor of employees in the city of Washington, to say something that relates itself to the present awful war situation of the world.

Mr. George Morrow Mayo, formerly a clerk in the office of the freight claim agent of the Southern Railway system, of Washington, who is now a gunner's mate in the United States Navy, is the author of the following toast to the Kaiser, which I want to read to the Senate:

A TOAST.

Here's to the Blue of the wind-swept North,
When we meet on the fields of France;
May the spirit of Grant be with you all
As the sons of the North advance.

And here's to the Gray of the sun-kissed South,
When we meet on the fields of France;
May the spirit of Lee be with you all
As the sons of the South advance.

And here's to the Blue and Gray as one,
When we meet on the fields of France;
May the spirit of God be with us all
As the sons of the Flag advance.

Mr. President, it is very seldom that poetry is written. A great deal of verse is every day added to the literature of the world. I think these three stanzas constitute poetry, and I wanted to put them in the Record.

Mr. TILLMAN. Mr. President, I ask that the Secretary may read the stanzas, for I do not think one-third of the Senator's heard them, owing to some confusion in the Chamber.

The VICE PRESIDENT. Is there objection? The Chair hears none.

The stanzas were read by the Secretary.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the House had passed the bill (S. 1854) to save daylight and to provide standard time for the United States, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had passed a bill (H. R. 10358) making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June 30, 1919, and for other purposes, in which it requested the concurrence of the Senate.

HOUSE BILL REFERRED.

H. R. 10358. An act making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June 30, 1919, and for other purposes, was read twice by its title and referred to the Committee on Appropriations.

AGRICULTURAL APPROPRIATIONS.

Mr. GORE. I ask unanimous consent that the unfinished business be laid before the Senate.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 9054) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1919.

Mr. REED. I send to the desk an amendment, which I ask to have read.

The VICE PRESIDENT. The amendment proposed by the Senator from Missouri will be stated.

The SECRETARY. After line 20, on page 93, it is proposed to insert the following:

To enable the Secretary of Agriculture to cooperate with and make an exhibit illustrative of the investigations, products, and processes relating to farming in the subhumid, arid, and semiarid regions of the United States at the International Soil-Products Exposition, to be held at Kansas City, Mo., in conjunction with the International Farm Congress, during the fiscal year ending June 30, 1919, including labor and all expenses in the city of Washington and elsewhere, \$20,000.

The President is hereby authorized to extend invitations to other nations to appoint delegates or representatives to the International Farm Congress, to be held at Kansas City, Mo., in connection with said International Soil-Products Exposition: *Provided*, That no appropriation shall be granted or used for the expenses of delegates.

Mr. WILLIAMS. Mr. President, I merely wish to suggest that the regular order of business goes back to the appeal which was taken on yesterday from the decision of the Chair upon the amendment offered by me.

The VICE PRESIDENT. The Senator from Mississippi appeals from the ruling of the Chair sustaining the point of order to his amendment. The question is, Shall the ruling of the Chair stand as the decision of the Senate?

Mr. WILLIAMS. Mr. President, upon that point I want to make a few perhaps innocuous observations. I voted upon yesterday for the Borland amendment requiring the employees of the Government to work at least eight hours daily. I voted for it after having announced that I wanted to add to that an amendment that employees should be allowed time and a half for overtime, so as to put them upon the same footing as all organized labor. The right to put an amendment to the amendment was denied me by a ruling of the Chair, which, as I stated yesterday in an argument, I think was an incorrect ruling; but whether it be correct or incorrect as a matter of parliamentary law, there ought to be some means whereby the Senate of the United States can have the opportunity to put Government employees upon the same footing as all other workmen in this country. Unless the ruling of the Chair is reversed, that opportunity will not present itself here.

Now, I want to say that, as I stated yesterday, that if the amendment of the bill were in order—which I doubt—then undoubtedly the amendment to the amendment was also in order, being a mere modification of the amendment, which in itself was a change of existing law. Upon yesterday the Borland amendment passed by a vote of 29 to 28. Unless I can get a vote of the Senate upon the proposition of putting these people upon the same footing as other organized labor, I shall change the vote which I cast on yesterday for the Borland amendment, and unless there are other changes in the Senate it will be thereby defeated.

I want my friends and constituents in Mississippi to understand just why I did it. I have been standing here for the principle of putting these people upon the same footing as other working people. I have heard a great deal about their not working eight hours, because they were "adding up figures" or were "punching cards" or something of that sort. Well, the man who is engaged in picking coal or the man who is engaged in a munitions factory, in a somewhat unhealthy pursuit of some sort, or in mining copper, is doing work that is much more wearing and tearing upon his health, if not upon his nerves, than these people are doing. The man who is a bank clerk, somebody said, worked but four or five hours a day. That is a mistake. The bank closes at the end of a limited time, but the bank clerk stays there until he has his books right. If there is a mistake of 25 cents, he remains there all the time until that 25 cents is hunted down if it takes him until midnight. My employees work upon an average more than eight hours a day, and I work upon an average at least 10 hours a day.

Mr. GALLINGER. Will the Senator permit me to interrupt him?

Mr. WILLIAMS. Yes.

Mr. GALLINGER. The Senator from Mississippi is laboring under a misapprehension, which I will endeavor to correct. The so-called Borland amendment is not an amendment of the Senate; it is the text of the House bill; and the Senator's amendment is not to an amendment of the Senate, but it is to attach an amendment to the House provision.

Mr. WILLIAMS. I am not laboring under a misapprehension; I understand that. My amendment is to an amendment which the House made upon existing law.

Mr. GALLINGER. Yes; but a Senator can not make a point of order against the House text.

Mr. WILLIAMS. The amendment which the House placed on existing law, if in order, makes my amendment to that amendment in order, because it is a modification of a proposed change of existing law which the House has made.

Mr. GALLINGER. That is reasoning which I can not follow.

Mr. WILLIAMS. I should hate very much to vote against making Government employees work eight hours a day without limitation; they ought to be required to work eight hours, but I do not intend to vote to do them an injustice. Just as I would not make a Prætorian cohort out of them because they merely happen to be in "Rome," the center of the Government, I will not, upon the other hand, lean backwards and do them an injustice. If they are going to be put under the eight-hour law, they ought to be put under it with the limitations and restrictions that are universal with regard to all eight-hour laws. They have no right to demand anything more than other workmen demand, and we have no right to subject them to any further restrictions—punishment, if you choose to call it so—

than other workmen suffer. Therefore I have taken this appeal from the decision of the Chair in order that the Senate may get a vote upon this proposition; and the universal rule in the Senate is that when the Senate wants to vote upon a question of substantive legislation it can get it by appealing from the decision of the Chair, regardless of the parliamentary point involved, because the rules of the Senate are not the masters of the Senate; they are its servants; and the object of the Senate is to pass substantive legislation of the right character. I am seeking that; but if I can not get it I shall, upon the vote being taken in the Senate after we go out of the Committee of the Whole, reverse my former vote and vote against the Borland amendment presented barely, as it is, without this modification.

Mr. PITTMAN. Mr. President, I hesitate to vote against the ruling of the Chair, because I realize the Chair is a parliamentarian, and I realize also that his rulings have nearly always been right; but I wish to call the attention of the Chair to the fact that there is an apparent conflict in the Chair's ruling now and a ruling he made in the past. I will read the ruling of the Vice President in connection with the naval appropriation bill on July 15, 1916, when we were dealing with the Dental Corps of the Navy.

The VICE PRESIDENT. The Chair recalls that decision.

Mr. PITTMAN. Here is the language of the Vice President, who was in the chair at that time:

The VICE PRESIDENT. Notwithstanding the rule of the Senate to the effect that general legislation may not be attached to an appropriation bill, still when the House of Representatives opens the door and proceeds to enter upon a field of general legislation which has to do with a subject of this character the Chair is going to rule; but, of course, the Senate can reverse the ruling of the Chair, that the House having opened the door, the Senate of the United States can walk in through the door and pursue the field.

The VICE PRESIDENT. If the provision in the bill were general legislation on the part of the House, the Chair would have ruled the same way this time; but it is not general legislation on the part of the House.

Mr. PITTMAN. It changes existing general law, and if that does not constitute general legislation, then I would like to know the definition of general legislation. The facts in that case were these: In the naval appropriation bill, as it came from the other House, there was a provision dealing simply and purely with the regular medical officers of the Navy, providing for their rank, and so forth. There was no mention of dentists in that bill as it came to the Senate. An effort was made there by way of amendment to declare that dentists were doctors, and this body attempted to define and enlarge that provision of the bill. A point of order was then made, just as it has been made in this instance, that the proposed amendment was general legislation attempted to be put upon an appropriation bill. This contention was met by the argument then made, that the House having entered into general legislation, the Senate was not required to accept that general legislation or decline it; but, it having come legally before this body, that the Senate was entitled to consider it; that the Senate could modify it or enlarge it. The contention was then made that the provision with regard to medical officers was not general legislation, just as it is contended in this instance that the so-called Borland amendment is not general legislation; but it did change the existing law.

Now, the question is whether the pending provision of the bill as it comes from the House changes existing law? If it does not change existing law, why is it in the bill? What is the necessity of that provision in the bill if it does not change existing law? The existing law expressly provides that the departments may employ clerks and pay wages to them for less than eight hours' work a day, while the provision now in the bill says the departments shall not employ and pay clerks for less than eight hours' work. If that is not a change of existing law, then why is it put in the bill? Certainly it is not the function of an appropriation bill to perform such a service. An appropriation bill is designed to provide money for the carrying out of the existing law.

The House, however, came to the conclusion that the existing law was not satisfactory, and they changed the existing law. There is not any doubt that they changed it. Of course, the statement is made that they changed the law negatively instead of affirmatively; but what difference does the manner of changing it make? They said the money shall not be used for the payment of wages except under certain circumstances; but does that bar the Senate from saying that the money shall be used under other circumstances? If the House negatively says that no employee shall work less than eight hours, will it be contended that the Senate can not say such employees shall work more than eight hours?

We had this same question up again in the Senate and passed on it, on an appeal from the decision of the Chair on the naval appropriation bill in 1916, the same bill in which the provision I have been discussing with regard to dental officers was under consideration. The question came up and was decided by this body. As the naval appropriation bill came over from the other House, on the advice of the Secretary of the Navy the existing law was changed, and the eight-hour law was set aside in that bill. How? There was a provision in the bill—not an amendment, but a provision in the text of the bill—which expressly stated that during the war the Secretary of the Navy might compel men to work over eight hours. Was that general legislation or was it a limitation, or what was it? It dealt with something besides providing money. It was undoubtedly general legislation. When the question reached the Senate I offered an amendment which provided that these men should have 30 days' vacation with pay during each year. Was not that quite a broad amendment to that provision of the House? Mark you, the provision of the House said that these men might be worked more than eight hours a day, and I offered an amendment which provided that they should have 30 days' vacation during each calendar year with pay.

Mr. GRONNA. Mr. President—

The VICE PRESIDENT. Does the Senator from Nevada yield to the Senator from North Dakota?

Mr. PITTMAN. I do.

Mr. GRONNA. I desire to ask the Senator if he is not overlooking the fact that the amendment offered by the Senator from Mississippi [Mr. WILLIAMS] touches two subjects? One is legislation. Of course, the House provision is legislation inserted in the bill by the House; and, while we might have a right to amend that legislation, the Senator must realize that the amendment of the Senator from Mississippi also affects the appropriation; and for the increased amount that might be required no estimate has been made. I think it is an entirely different question from the one that the Senator is arguing. The amendment which the Senator from Nevada offered at the time referred to by him in connection with the naval appropriation bill simply affected the legislation, but did not affect the appropriation, while the amendment of the Senator from Mississippi does affect the appropriation.

Mr. WILLIAMS. Mr. President, will the Senator from Nevada allow me a moment or two?

Mr. PITTMAN. I yield to the Senator from Mississippi.

Mr. WILLIAMS. The House provision, which is new legislation and changes existing law, directly affects the appropriation, and does not affect anything else. In its very language it says that the amount appropriated shall not be paid except, and so forth. Of course, my amendment to the amendment likewise affects the appropriation, but that is a still stronger argument for the contention that my amendment is absolutely germane to the House amendment, because they both affect the appropriation.

Mr. GRONNA. Mr. President, if I may be permitted, through the courtesy of the Senator from Nevada, to reply to the Senator from Mississippi, I wish to say that the amendment of the Senator from Mississippi increases the appropriation contained in the bill. The department can not pay these employees the amount of money which would be required by the amendment of the Senator from Mississippi unless the appropriation is increased, but the House provision does not do that. The Senator must realize that.

Mr. WILLIAMS. The House provision does not directly increase or decrease the appropriation, but undoubtedly the Members of the House and of the committee there, in taking into consideration the effect of the operations of the new law which they intended to put upon the statute books, did permit it to influence them in naming the amount generally appropriated.

Now, if the Senator from Nevada will pardon me to make one more remark, not quite pertinent to the question at issue, but it happens to occur to me while I am on my feet some Senator said yesterday that the departments could not operate under such a provision as I propose; that they could not manage it; that it was impracticable. Mr. President, there is not a factory in the United States that does not manage just exactly this sort of a situation. When a man goes to work he reports, and when he leaves he must report. Some Senator said that if you leave it to the clerks to make a report for themselves as to how many hours they work it would bankrupt the Treasury. Of course, nobody who is not a fool is going to leave it to each clerk to determine how many hours he has worked. He must report when he starts and he must report when he leaves, and the department will have proper regulations to determine how many hours he has worked each day. That, of course, has

nothing to do with the point of order, but I wanted to crowd that in while I was on my feet.

Mr. GRONNA. If the Senator will further permit me, I want to assure the Senator from Mississippi that I am in sympathy with his amendment, and if the point of order had not been made against it I should have voted for it. I will say to the Senator from Mississippi that I voted as he did for the Borland amendment, but if I had not expected that an increase in pay would be given the clerks I might not have voted that way. I am entirely in sympathy with the Senator's amendment.

Mr. WILLIAMS. And I hope the Senator will take the same position I am taking—that in order to assert the right of the United States Senate to do equal and exact justice by these people he and I will not abide by our votes in favor of the Borland amendment unless we get the opportunity to put the amendment to the amendment so as to do equal and exact justice.

Mr. GRONNA. I am sure the Senator from Mississippi is too good a parliamentarian to insist that the decision of the Chair in this case is not correct.

Mr. PITTMAN. Mr. President—

Mr. WILLIAMS. Oh, I beg the Senator's pardon. I insist that it is absolutely incorrect, because, as the Vice President once before said in a similar case, wherever the House opens the door by making a change in existing legislation, that door is open for the Senate either to agree or to disagree or to further limit or modify. I do not think a greater mistake was ever made by a presiding officer.

Mr. PITTMAN. Mr. President, I have not been able to follow all the argument that was going on, so I did not attempt to answer all of it; but the Senator from North Dakota raised the question that there is no estimate to pay the increased labor under the amendment of the Senator from Mississippi. In the first place, I will answer that by saying that there is no attempt to increase the appropriation in the amendment of the Senator from Mississippi; consequently, it is not subject to the objection that there is no estimate for the appropriation.

Another thing: I rose for the purpose of contending that the Chair had reversed his ruling; that he is not, on this occasion, following the precedent that he has established before on a similar question and a precedent that was sustained on appeal by this body. The first case to which I referred was an amendment on the naval appropriation bill.

What was that amendment? I want to read it, to show that it requires more money than the original bill required. Here was the amendment offered to the naval appropriation bill in which the Chair established the precedent:

That the President of the United States is hereby authorized to appoint and commission, by and with the advice and consent of the Senate, dental surgeons in the Navy at the rate of 1 for each 1,000 of the authorized enlisted strength of the Navy and Marine Corps, who shall constitute the Naval Dental Corps, and shall be a part of the Medical Department of the Navy. Original appointments to the Naval Dental Corps shall be probationary for a period of two years and may be revoked at any time during the probationary period by the President; Provided, That the rank of such officers of the same date of appointment among themselves at the end of said probationary period shall be determined by the recommendations of an examining board appointed by the Secretary of the Navy.

The amendment which I am now reading, which established the precedent in this matter, provided not only for the increase of the personnel of the Navy but provided for the establishment of two additional commissions to examine and pass on these applicants.

In other words, it required an additional expenditure. There was no appropriation in the House bill, as it came over here, to take care of that amendment. There was no estimate for it. It had never been thought of. Not only was it entirely new legislation, but it was legislation that would entail an additional expense for which there had been no estimate, and therefore the contention does not affect the precedent established by the Chair in that case.

When the matter came up three days later on my amendment to the naval bill fixing the number of days' vacation for Government employees in the machine shops, again that precedent was cited, and again this body, on an appeal from the Chair, sustained the principle established by the Chair in the preceding case.

The only question here at all is, Has the House entered upon general legislation? That is the only question. Why, to set a precedent in this body, and say that when the House has entered upon general legislation in an appropriation bill we can not consider it, and act freely upon it is to abdicate the legislative functions of this body. It is true that it is a bad principle; it is a vicious policy. I am opposed to general legislation on any appropriation bill. The only function of an appropriation bill is to provide the money to carry out existing law.

We are opposed to it; but there are two bodies of Congress. They are absolutely independent of each other. While we in this body may not place general legislation on an appropriation bill, we have no authority to abdicate our legislative functions and say that when the House violates that policy and that practice, and places general legislation in an appropriation bill, we have either got to accept it or turn it down.

The provision as it comes from the House is both new legislation and general legislation. It is general legislation because it changes existing law.

Mr. GRONNA. Mr. President, I do not want the Senator from Nevada to misunderstand me. I did not intend to say that the Senate could not consider the amendment proposed by the House. I claim that the Senate could say that these clerks should work eight and one-half hours, or seven and one-half hours. It is within the power of the Senate to change the legislation. What I did try to say was that when a point of order is made against such an amendment as that proposed by the Senator from Mississippi, involving large expenditures of money, which this necessarily would involve, it is not an analogous case. The Senator does not refer to an analogous case. One or two men in that department might have been paid out of the funds appropriated, or the expense perhaps would be paid as a deficiency; other moneys might be appropriated for the purpose of paying those men; but you could not hope to pay a large number of men, running into the thousands, such as are affected by the provisions of this bill. The Senator must realize that this involves large expenditures of money; and I believe that the Chair was absolutely right in his ruling. No estimate has been made for this increased appropriation.

Mr. SHAFROTH. Mr. President, I should like to ask the Senator a question. I can not understand why the Senator says this necessarily will require an increased appropriation, for the reason that there is a requirement now that these people shall work eight hours instead of seven hours.

Mr. GRONNA. With no additional pay.

Mr. SHAFROTH. That is all true.

Mr. GRONNA. The amendment of the Senator from Mississippi provides for wages for time and a half—an increase of pay.

Mr. SHAFROTH. Yes; but there is no certainty that any time and a half will be sought, or that any excess amount will be required. There is nothing in it to show that this of necessity, as the Senator says, will require an increased appropriation.

Mr. WILLIAMS. If the extra hour of work is required, we will not need it.

Mr. GRONNA. Yes; and if the extra hour of work is required, it seems to me it will not be needed. Consequently I do not see how the statement can be made that it absolutely requires an increased appropriation.

Mr. PITTMAN. Mr. President, there is not any question as to whether or not the amendment requires an increased expenditure. The amendment does not call in terms for any appropriation of more money. If it did call for an appropriation of more money, then the objection that there is no estimate would be material; but that is not involved in this question. The amendment of the Senator from Mississippi does not call for the expenditure of any more money. It is simply an enlargement of general legislation that the House has already enacted and sent over to us.

After the Vice President had made the ruling in the case of the amendment with regard to the Dental Corps, and when the matter came up three days later upon an amendment offered by me to the naval appropriation bill increasing the days of vacation of the employees of the Navy Department, the contention was made that the more holidays you gave them the more money it required to carry on the work, which is true. If you only make a man work half the time, you have got to take twice as long or employ twice as many men. There is no doubt that it is true that the amendment I offered imposed an extra expenditure on the Government, and this amendment will impose an extra expenditure on the Government, but not in this bill and not in this amendment.

The occupant of the chair when the last precedent was established made this ruling, and he referred to the Vice President's former ruling:

The PRESIDING OFFICER (Mr. ASHURST). The Chair is ready to rule. The Chair has listened to the very able arguments, and is of opinion that in view of the precedent set by the Vice President and the Senate on the 15th of this month—

That was the Dental Corps decision.

Mr. SHAFROTH. What year?

Mr. PITTMAN. Nineteen hundred and sixteen, three days before the ruling; ruling I am now reading—

and considering that the House of Representatives has provided as to how many shifts may be worked, also for a working during overtime, and having proposed to change the general law and stated that a "shift" may work "overtime," the Senate is at liberty to amend such provision.

The Chair therefore overrules the point of order.

From that there was an appeal to this body. Now, what was the result of the appeal? The question was clearly stated, the issue was clearly had, as to whether the prior decision of the Vice President of this body should be sustained; and on the appeal the Senate sustained it by a vote of 45 to 17. In doing it, they sustained the general principle that general legislation having been entered into upon an appropriation bill by the House of Representatives, this body is not required to vote for or against that legislation, but that it may use its legislative function and amend that general legislation so as to conform to the views of this body.

Certainly it will be an unfortunate day when this great legislative body has to be tied hand and foot by another body over which it has no jurisdiction. To say that the House may engage in general legislation on an appropriation bill, and that, because it does it, no matter how vicious it is, no matter how incomplete it is, no matter how absurd it is, we have to ignore such conditions, that we either have to vote for it or vote against it, and that we are not allowed even to make it intelligent, that we can do nothing with it, is, to my mind, a very extraordinary contention.

Mr. WILLIAMS. That we have no initiative.

Mr. PITTMAN. I do not care whether it is this eight-hour question or whether it is another question; it is immaterial. You are establishing a precedent; and if you establish it, and reverse the precedents of the past, you will tie your hands so that you never can amend any general legislation that comes from the House.

I think we are foolish to do it. I think we ought to stand flat-footed by the precedents that have been established by this body and say, "We disapprove of general legislation upon appropriation bills. We will not introduce any general legislation in an appropriation bill in this body; but when the House—a body over which we have no control—does place general legislation in an appropriation bill, then we will not bind ourselves to vote just for or against it, but we will permit ourselves to utilize to the fullest extent our legislative functions, and do what we please in the matter."

Mr. WATSON. Mr. President, may I interrupt the Senator to ask him a question?

Mr. PITTMAN. Certainly.

Mr. WATSON. Does the Senator call this new legislation?

Mr. PITTMAN. Yes; the Senator calls it new legislation.

Mr. WATSON. Or general legislation?

Mr. PITTMAN. The Senator calls it both new legislation and general legislation.

Mr. WATSON. That is, within the meaning of the House rule?

Mr. PITTMAN. I do not know what the meaning of the House rule is. I do not care.

Mr. WATSON. It makes a great deal of difference, according to my view of the situation.

Mr. PITTMAN. I am not a Member of that body and never have been.

Mr. WATSON. That is to say, it was originally placed in the House bill, not as new legislation nor as general legislation, but as a limitation on an appropriation. Therefore the argument the Senator has been making, that because the House introduced new legislation we have the right to amend that legislation, does not hold, because it is not new legislation; it is a limitation on an appropriation bill.

Mr. WILLIAMS. Mr. President—

Mr. PITTMAN. Just a minute.

Mr. WILLIAMS. If the Senator will pardon me, while there is a rule in the House that an amendment may escape the parliamentary objection of being new legislation provided it be a limitation upon the appropriation, still the fact is left that new legislation which is a limitation upon the appropriation is new legislation, and what the House put in here is new legislation, and if it had not been general legislation or new legislation there would have been no gumption or sense in the House putting it in at all. Their object was to change the existing order of things, and it escaped the point of order in the House because, under a technical rule of the House, new legislation, where it is a limitation upon the appropriation, is not subject to the point of order.

Mr. PITTMAN. Mr. President, the Senator from Mississippi has stated the answer to the suggestion of the Senator from Indiana [Mr. WATSON] so clearly that it is hardly necessary

for me to say anything; but I may add that even if that were not a technical rule of the House it would make no difference to me in this body. I am not familiar with the rules of the House, nor do I care what the rules of the House are. I know what new legislation is. I know that legislation that changes existing legislation is general legislation; and if the House voted to the contrary, I would still know that it is general legislation.

Now, then, suppose this had taken place: Suppose they had said that this money should not be used in the payment of any wages for anyone that worked less than 10 hours. Suppose they had gone further and stated that this money should not be used in the payment of any wages for any person that worked less than 18 hours. What are you going to do about it? Are you going to vote "no" and kill the appropriation, or what are you going to do? Do you not understand that by that rule of limitation they can make a law absurd; that they can say that you can not do anything with the appropriation? Why, it must be true.

I do not care by what technical means or what parliamentary means they accomplish their purpose. I say that we are entitled to perfect any provision of a bill that comes over to the Senate from the House, and I do not care what that provision is or how they got it in there. When a provision comes over here from the House we do not have to vote "no" or "yes" on it. We can perfect that provision so long as it is germane to the subject that has been legislated on in the House. Whenever we abdicate that authority, then we can simply legislate on a subject that the House legislate on first, and only in the manner in which they do it.

Mr. SMITH of Arizona. Mr. President, in explanation of my vote on this question I wish to say that I voted for the Borland amendment, as it is called. I voted for it for the reason that I think those employed in the departments and in this particular department would be better off under an eight-hour law than under the existing law, where by the mere edict of the Secretary they might be made to work any number of hours in the day, seven being the minimum. I shall still adhere to that course, but I think I would prefer very much the attitude of the Senator from Mississippi rather than that they should not have the pay for overtime work; and in case this amendment is not put on the bill in the Senate I shall vote against the Borland amendment.

I wish to explain my attitude so that my colleagues and those interested will understand that I believe if the clerks are paid for overtime eight hours are little enough in this particular time of our history to work. Everybody is working that much. If they are to receive no pay for the arduous duties of the overtime after eight hours of service I shall vote to let that matter remain, as I have already stated, where it now is rather than put it at eight hours and still have them work over that time and not receive any remuneration for it.

Mr. SMITH of Georgia. Mr. President, while we are considering this question I think we ought to keep in mind the entire difference between the character of officers to whom the proposition of overtime and extra pay is to be applied and the character of pay to which it is now applied. It is now applied to day labor, to a class of work where the pay is by the day, and the wage is largely fixed by the work done. This appropriation bill carries appropriations by the year. If you turn to nearly any page in the bill you will see a long list of items where so much a year is appropriated, not by the day. It is so much for the year for the particular position occupied by a clerk.

Now, suppose you adopt the policy of one and a half pay for all time beyond eight hours, you would tear your whole appropriation bill to pieces. I open the bill at page 17. There you have appropriated for one executive clerk in the Bureau of Plant Industry \$2,000 for the year; for two executive clerks, \$1,980 each a year. Suppose those executive clerks work an hour over on one day or two days or occasionally, what becomes of your appropriation for the pay of those clerks for the year? You break down your entire bill. You would be called upon to increase this appropriation bill by some lump sum to be distributed at the pleasure of chiefs of divisions to those clerks whose salaries they desired to increase. That would be the practical effect of it.

Mr. President, I desire to make this suggestion: We have a rule which forbids an increase of an appropriation not estimated for by a department or recommended by a committee. The practical effect of this amendment is to increase the appropriation and tear the appropriation bill all to pieces.

Not alone for the reason suggested by the chairman, but for the additional reason that you can not increase an appropriation bill upon the floor of the Senate, I shall vote to sustain the decision of the Chair.

The VICE PRESIDENT. The Chair has no objection to the reversal of an opinion of the Chair. That has been done a number of times, and it does not affect either his personal or official relations toward Senators. But the Chair does have the right to explain.

There is no conflict between the opinion of the Chair on the point of order upon the naval bill and this bill. The House did clearly inject into that bill general legislation. The House rule, as the Chair understands, is new legislation; the Senate rule is general legislation; and there is a vast deal of difference between new legislation and general legislation.

This is not general legislation in the House bill applying to civil-service clerks in all the departments of the Government. The most that can be said for it is that it is new legislation with reference to certain clerks in one department of the Government; but it is not general legislation, and the Chair feels that he has a right to put on record his denial, from his intellectual standpoint, of any disagreement between his opinion on the naval bill and his opinion in this particular case.

The question now is, Shall the ruling of the Chair stand as the ruling of the Senate?

Mr. GORE. Mr. President, it seems to me a good deal of the argument here has been based on the principle of pay and a half for overtime. The merits of that proposition are not involved in this proposition at all. It appears to me that the Chair's ruling is eminently correct in holding that this amendment is new legislation. The House amendment was properly drawn to come within the House rule.

Now, Senators will see at a glance that it will be utterly impossible to prepare an appropriation bill for one of the departments if the principle of pay and a half for overtime is to be involved. Infinite foresight could not prepare such an estimate. We are required to legislate upon estimates furnished by the departments. The Senate recognizing the propriety of that rule has adopted a rule subjecting any increase of appropriations to a point of order which has not either been estimated for by the department or reported by a standing committee of the Senate. It would throw our entire system of passing supply bills into utter and inconceivable confusion. They could not be based upon estimates if the principle of pay and a half for overtime was to be involved, because nobody could tell in advance how much overtime there would be and how much overpay would be necessary. So it destroys all our rules, all our precedents, and abolishes the system. In fact it introduces an impossible system. It is no system at all.

I shall not undertake to differentiate the payment of time and a half for overtime in a governmental department from ordinary trades or industries. Perhaps it is possible that it ought to apply to both, even though it would involve a revolution of our rules. It ought not to be done in this way or at this time. Generally where pay and a half has been introduced in the industries the industries are conducted profitably. The time and a half is presumed to be economic, even though it is overpay for the least efficient hours on the part of the employees.

Now, the Government is not conducted at a profit. It will be better for the Government if it has occasion for overtime to engage additional employees, rather than pay excessive compensation for overtime. Industries find that upon occasions it pays them better to pay overtime, even though it be excessive than to employ additional help or labor. The principle is different. I hope this legislation will not be brought out at this time, because it changes the whole form, as far as this bill and all other legislation of the kind is concerned.

The VICE PRESIDENT. Shall the ruling of the Chair stand as the ruling of the Senate?

Mr. PITTMAN. I ask for the yeas and nays.

The yeas and nays were ordered, and the Secretary proceeded to call the roll.

Mr. CALDER (when his name was called). I have a general pair with the junior Senator from Rhode Island [Mr. GERRY] and withhold my vote. If at liberty to vote, I would vote "yea."

Mr. JOHNSON of South Dakota (when his name was called). I have a general pair with the senior Senator from Maine [Mr. FERNALD]. I am unable to procure a transfer and withhold my vote.

Mr. KELLOGG (when his name was called). I have a general pair with the senior Senator from North Carolina [Mr. SIMMONS]. In his absence I withhold my vote.

Mr. KNOX (when his name was called). I have a general pair with the senior Senator from Oregon [Mr. CHAMBERLAIN] who is not present. I therefore withhold my vote.

Mr. GRONNA (when Mr. LA FOLLETTE's name was called). I desire to announce that the Senator from Wisconsin [Mr. LA FOLLETTE] is absent due to serious illness in his family. I ask that this announcement may stand for the day.

Mr. STERLING (when his name was called). I have a general pair with the Senator from South Carolina [Mr. SMITH], and in his absence I withhold my vote.

Mr. THOMPSON (when his name was called). I have a general pair with the Senator from Illinois [Mr. SHERMAN]. I withhold my vote not knowing how he would vote if present.

Mr. TILLMAN (when his name was called). I transfer my pair with the Senator from West Virginia [Mr. GORE] to the Senator from Louisiana [Mr. BROUSSARD], and vote "yea."

Mr. THOMAS (when Mr. VARDAMAN's name was called). The junior Senator from Mississippi [Mr. VARDAMAN] is absent on official business.

Mr. WEEKS (when his name was called). I have a general pair with the senior Senator from Kentucky [Mr. JAMES]. He being absent, I withhold my vote. If at liberty to vote, I would vote "yea."

I wish also to announce that my colleague [Mr. LODGE] is unavoidably absent. If he were present, he would vote "yea."

Mr. WILLIAMS (when his name was called). Transferring my pair with the Senator from Pennsylvania [Mr. PENROSE], who is unavoidably absent, to the Senator from Nebraska [Mr. HITCHCOCK], who is also unavoidably absent, I vote "nay."

The roll call was concluded.

Mr. THOMPSON. I transfer my pair with the Senator from Illinois [Mr. SHERMAN] to the senior Senator from Texas [Mr. CULBERSON] and vote "nay."

Mr. BECKHAM. I wish to announce that my colleague [Mr. JAMES] is absent on account of illness. I ask that this announcement may stand for the day.

Mr. DILLINGHAM. Because of my pair with the senior Senator from Maryland [Mr. SMITH] I withhold my vote.

Mr. KNOX. I transfer my pair with the Senator from Oregon [Mr. CHAMBERLAIN] to the junior Senator from Vermont [Mr. PAGE] and vote "yea."

Mr. HARDING (after having voted in the affirmative). I notice the absence of the junior Senator from Alabama [Mr. UNDERWOOD], with whom I have a general pair, and I withdraw my vote.

Mr. OVERMAN. I desire to announce that my colleague [Mr. SIMMONS] is unavoidably absent.

Mr. CURTIS. I wish to announce the following pairs:

The Senator from New Jersey [Mr. BAIRD] with the Senator from Illinois [Mr. LEWIS];

The Senator from Connecticut [Mr. BRANDEGEE] with the Senator from Alabama [Mr. BANKHEAD]; and

The Senator from Rhode Island [Mr. COLT] with the Senator from Delaware [Mr. SAULSBURY].

Mr. SMITH of Georgia (after having voted in the affirmative). I should have announced before I voted my pair with the senior Senator from Massachusetts [Mr. LODGE] and that I have been advised by his colleague he would vote as I did. I make that statement now and let my vote stand.

Mr. STERLING. I transfer my pair with the Senator from South Carolina [Mr. SMITH] to the Senator from Washington [Mr. POINDEXTER] and vote "yea."

The result was announced—yeas 40, nays 14, as follows:

YEAS—40.

Beckham	Johnson, Cal.	New	Sterling
Borah	King	Nugent	Sutherland
Curtis	Kirby	Overman	Swanson
Fall	Knox	Phelan	Thomas
Fletcher	McCumber	Pomerene	Tillman
France	McKellar	Ransdell	Townsend
Frelinghuysen	McLean	Shields	Wadsworth
Gallinger	Martin	Smith, Ga.	Warren
Gore	Myers	Smith, Mich.	Watson
Gronna	Nelson	Smoot	Wolcott

NAYS—14.

Hale	McNary	Smith, Ariz.	Walsh
Henderson	Pittman	Stone	Williams
Hollis	Shafer	Thompson	
Jones, Wash.	Sheppard	Trammell	

NOT VOTING—41.

Ashurst	Fernald	Kenyon	Saulsbury
Baird	Gerry	La Follette	Sherman
Bankhead	Goff	Lewis	Simmons
Brandegee	Harding	Lodge	Smith, Md.
Broussard	Hardwick	Norris	Smith, S. C.
Calder	Hitchcock	Owen	Underwood
Chamberlain	James	Page	Vardaman
Colt	Johnson, S. Dak.	Penrose	Weeks
Culbertson	Jones, N. Mex.	Poindexter	
Cummins	Kellogg	Reed	
Dillingham	Kendrick	Robinson	

So the Senate decided that the decision of the Chair should stand as the judgment of the Senate.

Mr. REED. I desire to call up the amendment I introduced a short time ago.

The VICE PRESIDENT. It will be stated.

The SECRETARY. On page 94, after line 3, insert as a separate paragraph the following:

To enable the Secretary of Agriculture to cooperate with and make an exhibit illustrative of the investigations, products, and processes relating to farming in the subhumid, arid, and semiarid regions of the United States at the International Soil Products Exposition, to be held at Kansas City, Mo., in conjunction with the International Farm Congress, during the fiscal year ending June 30, 1919, including labor and all expenses in the city of Washington and elsewhere, \$20,000.

The President is hereby authorized to extend invitations to other nations to appoint delegates or representatives to the International Farm Congress, to be held at Kansas City, Mo., in connection with said International Soil Products Exposition: *Provided*, That no appropriation shall be granted or used for the expenses of delegates.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Missouri [Mr. REED].

The amendment was agreed to.

Mr. WADSWORTH. I offer the following amendment, which I ask the Secretary to read:

The SECRETARY. On page 91, at the end of line 16, it is proposed to insert:

Provided, That the head of any department may excuse any clerk or employee from more than seven hours of work a day if such clerk or employee takes courses of study in any university or other institution of learning which, in the judgment of the head of the department, will fit him for better service in any department or branch of the Government. In such cases seven hours shall constitute a day's work; but no person shall be excused from rendering more than seven hours' service except on the days when actually in attendance at such universities or institutions of learning, and no person in any office, bureau, or department shall, because of attendance at any university or institution of learning, be excused from work in such office, bureau, or department at any time when the work therein be in arrears. No person working only seven hours shall be deemed to have rendered a full day's service, nor shall he be paid for a full day's service unless there be filed thereafter with the head of the department, in such form and within such time as he shall fix, a certificate showing the actual presence of such person in the classes of the university or other institution of learning on said day, signed by the authorities thereof. No person shall be entitled to be excused for more than one hour each day, even though he devotes a greater number of hours each day to courses of study in a university or other institution of learning.

Mr. WADSWORTH. Mr. President, permit me to indulge in a very brief explanation of this amendment. To the best of my information, there are something like 4,000 Government employees, who are mostly classed as clerks, who are students in the universities in and around Washington. The courses of study which they pursue and the hours of study which they pursue have a very close relation with the hours of work in the departments. Under the present existing system the departments release their employees at half-past 4 o'clock in the afternoon. The universities and colleges offer courses of study for those employees who are properly enrolled, commencing at 5 o'clock in the afternoon and continuing until 7 o'clock in the evening, also courses of study and hours of lectures later on in the evening after the supper hour. If the so-called Borland amendment prevails either the length of service in the departments will be increased by the addition of an hour in the morning, by opening an hour earlier, or by adding an hour at the end of the present day's work—an hour later in the afternoon; or possibly one-half hour may be added in the morning and one-half hour added in the afternoon. I imagine that very little, if any, time will be gained by an increase of the morning hours of work; in other words, I do not believe that the departments will open earlier as a result of the Borland amendment. It is much more probable that the departments will continue work later in the afternoon and thereby comply with the Borland amendment.

Mr. KIRBY. I should like to ask the Senator a question.

Mr. WADSWORTH. I yield to the Senator.

Mr. KIRBY. As I understand, we have passed a law setting the clock forward an hour. I should suppose the clerks would have time to go to school after their eight hours' service had commenced an hour earlier.

Mr. WADSWORTH. Setting the clock forward or backward does not make any more hours, one way or the other.

Mr. KIRBY. It was so claimed when the legislation was passed.

Mr. WADSWORTH. If the Borland amendment, as now written, prevails the working day of the clerks will be extended further into the afternoon, and it will make it impossible for the students in the universities—some 4,000 in number—who are department clerks, to attend those lectures which now are held between the hours of 5 and 7 p. m. It is apparent that half an hour's time is consumed, necessarily, between the release of the clerk from his department and his arrival at the university to commence his work there during that late afternoon period.

The amendment which I have introduced authorizes the head of a department of the Government to permit a student in his department to work seven hours, as he is working to-day, and have that count in the same category as the other clerks who

work eight hours in order that he may be able to continue his college course. There is very grave doubt whether these men can continue their college course if the Borland amendment, as now written, prevails. The object of my amendment is to let these men continue in their studies. A great many of them attend these universities on the express request and encouragement of the department heads, who want these young men and young women to pursue special courses of study in order that they may be better fitted to advance in Government service. The object of my amendment is to permit that practice to continue.

Mr. BORAH. May I ask the Senator from New York a question?

Mr. WADSWORTH. Yes.

Mr. BORAH. I could not very well follow the reading of the amendment from the desk, because it was rather long. Does this amendment discriminate between those who are attending the university and those who are not as to the hours of service during the day? Does it give the university students a seven-hour day and the others an eight-hour day?

Mr. WADSWORTH. In one sense it does.

Mr. WILLIAMS. In all essentials it would.

Mr. BORAH. It seems to me as though that would demoralize the service. Everybody would go to a university, then, I suppose.

Mr. WADSWORTH. Scarcely under the wording of this amendment. The question is, Do you want to demoralize the universities and all these men who are getting their education, or—

Mr. BORAH. We are just now interested in getting service from the departments and not in affording an education. These young men have an opportunity, after they have worked the same length of time as have the others, to go to the universities at night and complete their courses of study, and I venture to say that, if there are 4,000 of them, the universities will conform their hours to their courses of study for the advantage of having them attend.

Mr. WADSWORTH. Mr. President, I have discussed that very matter with the people connected with the universities, and they tell me it is almost impossible to readjust their hours in such a way as to comply with the Borland amendment and still give the students as many hours a day as they are now giving them. One must remember that the two hours between 5 p. m. and 7 p. m. can not be very considerably changed without upsetting the whole course of life with respect to the meal hour and the conditions that are imposed upon people by reason of the inadequate transportation facilities of the city. The employees have to take the trolley cars to their homes after that late afternoon session at the universities, in many instances many miles, to the outskirts of the city, and then endeavor to get back to the universities for the evening sessions. Now, if the time of closing the departments is postponed one hour by reason of the Borland amendment the whole thing is apt to fall; it can not be done.

Mr. BORAH. Mr. President, I am very clear in my mind that we ought not to have two standards of service in the departments. It seems to me that we could hardly justify that. I know it is difficult to work it out, but I would rather oppose the Borland amendment and stand for the seven-hour day than stand for the seven-hour day for a portion of the employees and an eight-hour day for the others. I do not think that that is in conformity with equity. It seems that the service has been organized and geared up for the seven-hour day, and it is hard to get away from it. The city is organized upon that basis; in other words, the whole arrangement has been along that line.

Mr. WADSWORTH. I think it is fair to say that the special courses in the universities have been geared up to the seven-hour day, but the rest of the city is not.

Mr. BORAH. Mr. President, I do not believe that we ought to have two standards of service in the departments.

Mr. CALDER. Mr. President, let me inquire of my colleague if he understands that most of these courses are to prepare men to better perform their service in the departments?

Mr. WADSWORTH. Yes; that is the fact. As I have already intimated, a large number of the clerks attend the universities as students upon the request of the department chiefs, who desire them to improve themselves so that they will be more efficient Government employees and that they may be retained more permanently in the service and rise to the highest grades. The chiefs want the employees to take these courses, and the situation arises whether, without the adoption of my amendment, it is not going to be almost impossible for them to attend the courses.

Mr. KIRBY. Mr. President, it seems to me this whole matter might be well settled by determining for whose benefit the Con-

gress is legislating. If these employees are needed to do the Government work in the departments, then they ought to be required to do it. If we are legislating for the benefit of the employees or for the benefit of the colleges, it might be very well to vote for the amendment that is proposed. If we need the work of these clerks eight hours a day—and we have already said we do need them by the action the Senate has taken—they ought to be required to do that much service.

My sympathy, of course, is with the clerk all the time, as he is, in a way, a more concrete proposition than the Government itself; but the idea is this: These Government clerks are getting better pay to-day than clerks of like kind in civilian and industrial employment; there is no doubt about that proposition. If it requires this much service to do the Government work—and it evidently does, because we are employing numerous additional clerks all the time—then these clerks ought to be required to do that much service. There is no question that they are not getting paid for that much service. If they desire to improve their condition by attending colleges, that is an admirable ambition and they might be allowed to do that; but let them do it in their own time. They can do it very well after they have finished the eight-hour-day service; and if they can not, it is not the fault of the Government, which is entitled to all it pays for—at least that much—and we do not need to go about protecting the college interests or other individual interests when we are making a simple business proposition and contract to pay for service that we have not been getting.

Mr. WILLIAMS. Mr. President, I am a true disciplinarian and serve in the army as a private subject to orders. Therefore, in accordance with the decision which you rendered not long ago upon my amendment to the House provision of this bill, and in accordance with the ruling of the Senate sustaining your ruling—both of which were wrong—I make the point of order against the amendment proposed by the Senator from New York.

The VICE PRESIDENT. The Chair is pleased to find the Senator from Mississippi right, and sustains the point of order.

Mr. WILLIAMS. I hope the Chair will not understand that the "Senator from Mississippi" is right. The "Senator from Mississippi" is merely attempting to duplicate a wrong because it has become a precedent. [Laughter.]

Mr. GORE. Mr. President, there can not be any doubt that the amendment offered by the Senator from New York is subject to the point of order.

The VICE PRESIDENT. The point of order has been sustained.

Mr. GORE. Yes, sir. I merely wish to make one observation, which is that if the amendment, to which I was opposed as offered, had classified these employees and permitted those whose services are necessary in the military arm of the Government or who have declared an intention to connect themselves with the military arm of the Government, I think it would be wise to pass it in that form, and I hope the Senator from New York will offer it in that form when the bill is reported to the Senate. I believe there will then be no objection to it.

Mr. President, I send to the desk an amendment, which I ask to have read at this time.

The VICE PRESIDENT. The Secretary will state the amendment.

The SECRETARY. It is proposed to insert a new section at the end of the bill, as follows:

SEC. —. That the Secretary of Agriculture is authorized to require all persons, firms, or corporations conducting establishments engaged in packing or preparing meat or meat products which enter into interstate or foreign commerce, and which establishments are subject to Federal inspection under the provisions of an act entitled "An act making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1907," approved June 30, 1906, to install and maintain, so far as may be, uniform systems of cost accounting and bookkeeping. The Secretary of Agriculture is further authorized to prescribe all necessary rules and regulations to carry into effect the provisions of this section. It shall be the duty of all such persons, firms, or corporations to install and maintain the systems of cost accounting and bookkeeping prescribed by the Secretary of Agriculture after 60 days' notice from the order of the Secretary requiring and prescribing the same. Any person violating the provisions of this section shall be deemed guilty of a misdemeanor and punished accordingly.

Mr. WILLIAMS. Mr. President, I make the point of order that the amendment proposes general legislation on an appropriation bill.

The PRESIDING OFFICER (Mr. ASHURST in the chair). The point of order is sustained.

Mr. GORE. Mr. President, I think the point of order was well sustained, and I have prepared a written notice required by Rule XL of the Senate, which I desire to file at this time, that I will move to suspend the rules in order to offer this amendment to the bill. I will merely say in one sentence that the packing houses have been virtually guaranteed a profit of 9

per cent on their meat production and 15 per cent on their specialties. I am advised that one of the biggest packing houses in the country shifts its bookkeeping system quarterly, and perhaps monthly, and that it is impossible to determine anything about the costs or the profits. It is to meet that situation and the juggling with the public interests that this amendment is offered. I present the notice at this time.

THE PRESIDING OFFICER. The Senator from Oklahoma presents a certain notice for the suspension of the rules—

Mr. WILLIAMS. Mr. President, I want to say that I think I shall very cheerfully vote for the amendment suggested by the Senator from Oklahoma if it comes before the Senate under a motion to suspend the rules; but after the recent rulings of the Vice President and of the Senate, it strikes me that perhaps we had better suspend the rules or else submit to the same infliction all along the line. If the Senate can be deprived of a right to vote under a technical rule, then somebody had better move to suspend the rules; and when it comes to suspending the rules on such an amendment as that offered by the Senator from Oklahoma, I will vote for it; but I will not allow any committee of this body, or any bunch of little men, to take liberties with the rule unless they let me take some liberties with it, too.

THE SECRETARY. The Senator from Oklahoma gives notice that he will move a suspension of paragraph 3 of Rule XIV in order to offer the amendment which was last read.

THE PRESIDING OFFICER. The notice will lie on the table.

Mr. GORE. Mr. President, I now wish to call up the notice which I gave several days ago, in regard to moving to suspend the rules in order to offer an amendment increasing the price guaranteed for wheat.

THE PRESIDING OFFICER. The Secretary will read the notice.

THE SECRETARY. The Senator from Oklahoma gave previous notice that when the Agricultural appropriation bill was being considered he would move to suspend paragraph 3 of Rule XIV, prohibiting the reception of general legislation to any general appropriation bill, in order that he might propose the following, to be inserted at the proper point in such bill as a new paragraph—

Mr. JONES of Washington. Mr. President, before that is read, I suggest the absence of a quorum.

THE PRESIDING OFFICER. The Secretary will call the roll.

Mr. WILLIAMS. Mr. President, I desire to offer an amendment to the motion.

THE PRESIDING OFFICER. The Senator is not in order. That can not be done in view of the fact that the absence of a quorum has been suggested. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Henderson	New	Stone
Beckham	Hollis	Nugent	Sutherland
Borah	Johnson, Cal.	Phelan	Thomas
Calder	Johnson, S. Dak.	Pittman	Thompson
Curtis	Jones, N. Mex.	Pomerene	Townsend
Dillingham	Jones, Wash.	Ransdell	Townsend
Fall	Kellogg	Reed	Walsh
Fletcher	Kenyon	Shafroth	Warren
France	King	Sheppard	Williams
Gallinger	Kirby	Shields	Wolcott
Gore	Knox	Smith, Ga.	
Hale	McCumber	Smoot	
Harding	McKellar	Sterling	

THE PRESIDING OFFICER. Forty-nine Senators having answered to their names, a quorum of the Senate is present. The question is on the motion of the Senator from Oklahoma.

Mr. McCUMBER. Mr. President—

THE PRESIDING OFFICER. The Senator from North Dakota.

Mr. McCUMBER. The motion is debatable, is it not?

THE PRESIDING OFFICER. The present occupant of the chair thinks it is.

Mr. GALLINGER. Mr. President, will the Senator yield in order that I may ask what the motion is?

THE PRESIDING OFFICER. The motion is to suspend Rule XIV, so as to permit the introduction without violating the rules of an amendment offered by the Senator from Oklahoma. The question is upon suspending the rule.

Mr. GALLINGER. I ask, for information, that the proposed amendment may be read.

THE PRESIDING OFFICER. The Secretary will read the amendment.

THE SECRETARY. It is proposed to add to the bill a new section, to read as follows:

That section 14 of the act entitled "An act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel," approved August 10, 1917, be amended to read as follows:

"Sec. 14. That whenever the President shall find that an emergency exists requiring stimulation of the production of wheat and that it is

essential that the producers of wheat, produced within the United States, shall have the benefits from time to time, seasonably and as far in advance of seeding time as practicable, to determine and fix and to give public notice of what, under specified conditions, is a reasonable guaranteed price for wheat, in order to assure such producers a reasonable profit. The President shall thereupon, fix such guaranteed price for each of the official grain standards for wheat as established under the United States grain standards act, approved August 11, 1916. The President shall from time to time establish and promulgate such regulations as he shall deem wise in connection with such guaranteed prices, and in particular governing conditions of delivery and payment and differences in price for the several standard grades at the local elevator or the local railway market where such wheat is delivered from the farm where produced, adopting No. 1 northern spring or its equivalent as the basis. Thereupon the Government of the United States hereby guarantees every producer of wheat produced within the United States that, upon compliance by him with the regulations prescribed, he shall receive for any wheat produced in reliance upon this guaranty within the period, not exceeding 18 months, prescribed in the notice a price not less than the guaranteed price therefor as fixed pursuant to this section. In such regulations the President shall prescribe the terms and conditions upon which any such producer shall be entitled to the benefits of such guaranty. The guaranteed prices for the several standard grades of wheat for the crop of 1918 shall be based upon No. 2 northern spring or its equivalent at not less than \$2.50 per bushel at the local elevator or the local railway market where such wheat is delivered from the farm where produced.

"This guaranty shall not be dependent upon the action of the President under the first part of this section, but is hereby made absolute and shall be binding until May 1, 1919. When the President finds that the importation into the United States of any wheat produced outside of the United States materially enhances or is likely materially to enhance the liabilities of the United States under guaranties of prices therefor made pursuant to this section, and ascertains what rate of duty, added to the then existing rate of duty on wheat and to the value of wheat at the time of importation, would be sufficient to bring the price thereof at which imported up to the price fixed therefor pursuant to the foregoing provisions of this section, he shall proclaim such facts, and thereafter there shall be levied, collected, and paid upon wheat when imported, in addition to the then existing rate of duty, the rate of duty so ascertained; but in no case shall any such rate of duty be fixed at an amount which will effect a reduction of the rate of duty upon wheat under any then existing tariff law of the United States. For the purpose of making any guaranteed price effective under this section, or whenever he deems it essential in order to protect the Government of the United States against material enhancement of its liabilities arising out of any guaranty under this section, the President is authorized also, in his discretion, to purchase any wheat for which a guaranteed price shall be fixed under this section, and to hold, transport, or store it, or to sell, dispose of, and deliver the same to any citizen of the United States or to any Government engaged in war with any country with which the Government of the United States is or may be at war, or to use the same as supplies for any department or agency of the Government of the United States. Any moneys received by the United States from or in connection with the sale or disposal of wheat under this section may, in the discretion of the President, be used as a revolving fund for further carrying out the purposes of this section. Any balance of such moneys not used as part of such revolving fund shall be covered into the Treasury as miscellaneous receipts."

Mr. GORE. Mr. President, has the Senator from North Dakota the floor?

THE PRESIDING OFFICER. He has a right to the floor. He has been recognized.

Mr. GORE. I wish to ask him to yield to me for just a moment.

THE PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Oklahoma?

Mr. McCUMBER. With pleasure, Mr. President.

Mr. GORE. Mr. President, the amendment as read, of course, is long and involved; and, from the reading, Senators listening to it from their desks can not grasp the points involved. It reiterates section 14 of the so-called food-control act. It proposes to change that act in four particulars, and in four particulars only.

First, with respect to the price of wheat, it raises the guaranteed minimum from \$2 to \$2.50.

The second change is that it substitutes No. 2 northern for No. 1 northern as the basic grade, No. 1 northern being in fact an ideal grade.

The third change is that it substitutes the local elevator, or the local railway market in the vicinity where the wheat was grown, for the principal interior primary market—the language of the law as passed.

The fourth and last change is this: It was contended by Mr. Hoover, as I am informed, and by others, that the \$2 written into the law last summer was not only a minimum but was a maximum, was an absolute price. That contention was made by others. This makes it plain that that was a minimum price guaranteed by Congress, and was not a maximum price, not an absolute price.

Those are the only four changes which are involved in the proposed amendment.

DAYLIGHT-SAVING BILL.

THE PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 1854) to save daylight and to provide standard time for the United States, which were, on page 2, line 24, to strike out "April" and insert "March"; on page 2, line 26, to strike out "September" and insert "October"; on page 3, line 4, to strike out "April" and insert "March"; on page 3, line 5, to strike

out "September" and insert "October"; on page 3 to strike out lines 18 and 19; and on page 3, line 20, to strike out the numeral "6" and insert the numeral "5."

Mr. CALDER. Mr. President, the action just taken by this body consummates, as far as the Congress is concerned, legislation that will put into effect the daylight-saving plan, which, it is universally believed, will be of inestimable value in bringing about, through the saving of time, a considerable contribution toward the winning of the war in the conservation of human energy and a large amount of fuel now consumed in the manufacture of artificial illumination. It will also supply an additional hour for home gardening by the city and suburban dweller, estimated at one-fifth of our total population, and it will give to the workers of the country one hour for recreation at that part of the day when it is most convenient for them to enjoy it. Briefly, this bill provides that on the last Sunday in March—which this year occurs on the 31st instant—clocks shall be moved forward one hour and remain so until the last Sunday in October. We simply move the whole day one hour ahead during the seven months between these two dates by making use of an hour of daylight ordinarily wasted in the early part of the morning.

The change is universal and will cause no confusion. Business will go on just the same; appointments will be kept just the same; railroads will run on present time-tables.

England, France, Germany, Austria, Denmark, Sweden, Norway, Italy, Holland, and Portugal—in fact, every European country of importance save Russia alone—have adopted this plan and have found that it has worked with the greatest success in the saving of fuel and in general healthful benefit for its people. On the north Canada and on the south Mexico are only awaiting the consummation of this legislation to adopt the plan themselves.

It will not affect our agricultural sections, since their rising and retiring are due almost entirely to seasonal conditions. The farmer regards the demands of the season rather than customs. The sun, rather than the clock, is his guide; but it will affect advantageously, it seems to me, all of the people of our country except those engaged in farming. Those who have carefully worked out the problem insist that it will save the United States in the matter of fuel alone at least 1,000,000 tons of coal annually. This saving in fuel will come entirely through the fact that we have exchanged one hour of dark for one hour of light.

People live by custom. Eighty per cent of the people of the United States rising in the morning allow only sufficient time to dress, eat breakfast, and arrive at their places of employment just at the stroke of the time to begin their day's work. If their time to start work is 8 o'clock, under the new arrangement it will still be 8 by the clock. Street railways, suburban and interurban transit facilities will be operated upon the same theory, and there will be no difficulty at all about the changed conditions. In fact, after the first day no one will be inconvenienced or confused. Under the operation of this plan the worker begins his day by the same clock time as formerly, but actually an hour earlier, and when the day's work is done there is an hour more of daylight, which, under the present standard, he does not enjoy.

In that hour he can till his garden or do any other thing of a healthful or economic nature.

Perhaps no better experience on daylight saving can be cited than that of the recreation commission of Detroit, which city of its own accord has adopted this plan. The commission reports it has made the after-supper hour the most popular hour of the day. Amateur baseball games among the employees of factories and offices are numerous, and the general improving influence on the social and moral welfare of the city is very great.

I predict, Mr. President, that this is going to be a very popular measure, and that after its beneficial effect is felt for the first year of its operation no effort will be made hereafter to repeal it. When this legislation was first suggested to me for introduction, like every other man who had given it superficial examination, I treated it with some levity, but as one carefully inquires into the subject it will become apparent that it is one of the most important conservation measures ever enacted by the Congress of the United States, and I have taken great pleasure in being its sponsor in this body.

Mr. President, I move that the amendments of the House of Representatives to this measure be concurred in.

The motion was agreed to.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the House disagrees to the amendments of the Senate to the bill (H. R. 9867) making appropriations to supply urgent deficiencies in appropriations for

the fiscal year ending June 30, 1918, and prior fiscal years, on account of war expenses, and for other purposes, requests a conference with the Senate on the disagreeing votes of the two Houses thereon, and had appointed Mr. SHERLEY, Mr. EAGAN, and Mr. CANNON managers at the conference on the part of the House.

URGENT DEFICIENCY APPROPRIATIONS.

The PRESIDING OFFICER (Mr. GRONNA in the chair) laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the bill (H. R. 9867) making appropriations to supply urgent deficiencies in appropriations for the fiscal year ending June 30, 1918, and prior fiscal years, on account of war expenses, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. MARTIN. I move that the Senate insist upon its amendments and agree to the conference asked for by the House, the conferees on the part of the Senate to be appointed by the Chair.

The motion was agreed to, and the Presiding Officer appointed Mr. MARTIN, Mr. UNDERWOOD, and Mr. WARREN conferees on the part of the Senate.

REMOVAL OF STATUE OF FREDERICK THE GREAT.

Mr. THOMAS. I send to the desk a joint resolution and ask that it be read and referred to the Committee on Public Buildings and Grounds.

The joint resolution (S. J. Res. 140) providing for the removal and disposition of the statue of Frederick the Great was read the first time by its title and the second time at length and referred to the Committee on Public Buildings and Grounds, as follows:

Resolved, etc., That the statue of Frederick the Great, now disfiguring one of the pedestals of the United States War College in the city of Washington, be removed and disposed of as the Committees of the Senate and House on Public Buildings and Grounds shall determine.

HOME RULE FOR IRELAND.

Mr. GALLINGER submitted the following concurrent resolution (S. Con. Res. 18) which was read and referred to the Committee on Foreign Relations:

Resolved by the Senate (the House of Representatives concurring), That the application in the case of the Irish people of the great principle of self-determination, as interpreted by the President of the United States in his discussion of the fundamental and indispensable conditions of a lasting peace, will constitute a source of genuine gratification to the people and Government of the United States, sincerely solicitous as they are for the harmony and prosperity of the two great peoples; and be it further

Resolved, That the two Houses of Congress concur in the belief that the effect of willingness on the part of the people and Government of Great Britain to permit the ascertainment of the will of the Irish people by means of a plebiscite of the adult population (men and women) will be viewed as a precedent of distinct national character seeking to acquire in an orderly, legal manner final vindication and sanction of their titles to sovereignty.

AGRICULTURAL APPROPRIATIONS.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 9054) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1919.

The PRESIDING OFFICER (Mr. ASHURST in the chair). The Senator from North Dakota is entitled to the floor.

Mr. McCUMBER. I have consented to yield for a few minutes to the Senator from Mississippi.

Mr. WILLIAMS. Mr. President, I rather hope this amendment will not pass, not because I care much about the price fixed or anything of that sort, but it is one step further in the line of the Government attempting to fix prices. If the Government were all wise and could fix a price that was wise, of course, it goes without saying that it would be all right, but the Government is not all wise. Thomas Jefferson was inquired of years ago, "Do we have angels run the Government?" and he answered by saying, "No; men."

Whenever you fix a price that is too high you merely encourage hoarding and speculation in order that that price may be reached in actual sales, notwithstanding what the market wants to sell it for. If you fix the price too low you merely stop production. It would be immensely better if you stop the whole attempt to fix prices for anything.

My opinion is that if you were not to attempt to fix the price of wheat at all wheat would be selling next year at about \$1.50 or \$1.75 a bushel—at a fair market price—but even if it were selling at \$4 a bushel, if the wheat was worth it in the market on account of the cost of production and the cost of living and other things, then the wheat ought to have that price. The very best measure that any legislative body can take in order to reduce the price of a product is to leave the market with its stimulus absolutely free, so that a man may plant with the idea of getting \$4 wheat and be disappointed later on by getting \$1.70 wheat.

Now, Mr. President, next to munitions and men and ships, food and fuel are the most important things that are necessary in order to win this war, and the question comes up as to how best to increase the production of food and of fuel. That question has presented itself to various people at various times in the history of the world—in the French Revolution, the American Revolution, in ancient Rome when the Gracchi were striking, and all that—but it all comes back to this: If you will let a man believe that maybe he can sell his wheat next year for \$5 a bushel as the sky-high price of it, if you let a man believe that maybe next year he can sell his coal for \$15 a ton, possibly at a sky-high further price, two results must follow: Every man who has any land he can put in wheat will put it in wheat just as soon as he can, and everybody who has a mine, even if it is a coal mine that in ordinary times was not rich enough to pay to work, will go to work and work it. What will be the result? The result will be overproduction and a decreased price of both wheat and coal for the benefit of the people. That is the necessary economic result of letting the market alone.

So I do not see much sense and never have seen much sense in any governmental attempt to limit the price of products to the people. If you let the man go on his production will limit the price, because his hope and the spirit of speculation will lead to overproduction, and the overproduction will correct his selfishness, will correct his greed, and will give to the consumer what the consumer has a right to have, to wit, a sufficient quantity of the product in the market. It is more important to the consumer to have a sufficient quantity than it is to have it even at a low price. You must have coal to keep warm. You must have wheat if you are going to eat wheat bread.

Now, I have but one more suggestion to make in connection with this matter. I have thought sometimes I would start a voluntary association whereby I and other men signing the agreement would agree not to eat anything made out of wheat at all during this war. It would not be much sacrifice. My own section of the country did that for nearly three years. We did not have anything made out of wheat and the Confederate soldiers fought pretty well without any wheat in their stomachs. I would long ago have started a movement, and made myself its voluntary first member, except for the fact that I absolutely hate to play in the limelight and go out and appear even to be "patriotizing." But it can be easily done. If wheat gets too high, if people out West, the Senators from North Dakota and the Senators from South Dakota and the other Senators there get too greedy, we can stop their exploitation by stopping eating their product. We can live on rice and corn bread and rye and various other things. There is no telling how many pretty dishes you can make out of rice and corn meal if you just know how to make them. I am not at all afraid of leaving the laws of trade free.

I have been a Democrat all my life and always have believed in every sort of free thing, amongst other things free trade, especially free trade within the United States. I have gone further and believed in it even outside of the United States, and even if I am in error I am not afraid to face the other fellow in the open, because I believe with old Jefferson that you can "leave error free provided you also leave reason free to combat it."

Now, I stood all this. I voted for a lot of it because I thought that neither the American Congress nor the American people would be satisfied until you tried it to the 40th degree. The world had already tried it to the 40th degree at various stages of its history, but it had to try it to the 40th degree with every generation. A daughter of mine said to me once about one of my sons, "Papa, it is useless to scold the boy or to scold anybody else. He has got to learn for himself." She was then about 8 years old, but had a good deal of wisdom within her little head. It is true that each generation must learn for itself.

However exploited and however fallacious and futile the experiments of the past have been we learn nothing from it, because it is just about 5 per cent of humanity that knows what humanity has done outside of their generation and they have got to learn it. I think it is now about time to stop it all and leave the market free. Let the buyer go out and try to get the lowest price he can and let the seller go out and try to get the highest price he can, and let the producer get the highest price possible, and when he is paid for it he will make the stuff, and when he makes the stuff he will defeat his own selfish ends by overproduction and oversupply in the market.

Mr. GRONNA. Mr. President—

The PRESIDING OFFICER. The Senator from North Dakota [Mr. McCUMBER] has the floor. Does he yield to his colleague?

Mr. GRONNA. I wish to ask the Senator from Mississippi a question. The Senator from Mississippi is laboring under a misapprehension. I do not think that any of the Senators from the Northwest asked for any legislation to fix price. On the other hand, they were opposed to it. They said, "Leave it to the law of supply and demand." I am glad to know that the Senator from Mississippi believes as I do, and he argues much better than some of us did a year ago.

Mr. WILLIAMS. The Senator is mistaken in thinking that I misapprehended. I suppose the Senator arrived at that conclusion from the fact that I voted against him when the proposition was up before; but I stated when I so voted at that time that I did so with the view in my own mind that neither the American people nor the Congress would ever be satisfied without trying the experiment once more. But I have said upon this floor many times, the Senator will remember, that no Government could in the long run fix prices; that while it might make a man sell at a certain price, if he sold at all, it could not make him sell at all; and that if the price fixed was, in his opinion, too low, he would hoard and speculate, whereas if the price was entirely too low the work of production for the future would stop. I thought the wisest course to pursue, when you all were arguing for that, was to vote it through and let it be tried once more. Now, I say it has been tried enough and it has failed.

Mr. GRONNA. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield further to his colleague?

Mr. McCUMBER. Certainly, I yield.

Mr. GRONNA. If I may be permitted, I wish to say to the Senator from Mississippi that he is still mistaken. Myself, my colleague, and other Senators from the West asked to be let alone. We did not ask for the legislation, I want to say to the Senator.

Mr. WILLIAMS. I just said that I voted against your proposition when it was formerly before the Senate, and that I voted against it for the reasons I have given, which were mere tactical reasons. You were right then, in my opinion.

Mr. GRONNA. The Senator from Mississippi is right now.

Mr. WILLIAMS. Although what you say is true, I do not think you were formerly exactly expressing the true and right reasons why you were right at that time.

Mr. McCUMBER. Mr. President, there is no material disagreement between the Senator from Mississippi [Mr. WILLIAMS] and myself concerning the operation of the law of supply and demand within our own country. The main difference seems to be that the Senator from Mississippi is in favor of that law of supply and demand when cotton is high and wheat is low, but votes against it when wheat seems to be high and cotton somewhat low. The Senator from Mississippi says he has contemplated entering into an agreement with others to refrain from eating wheat altogether.

I should like to enter into an agreement with the Senator from Mississippi, each of us denying ourselves certain rights and privileges, if I could do so on equal conditions, but the Senator has a decided advantage over me. I have to wear his cotton whether I want to do it or not. If 40° below zero in a North Dakota winter will not compel me to wear clothes the law comes in and does compel me to wear them. So he has me at a disadvantage. While he can change his diet from wheat to sweet potatoes I can not change my method of having to wear his cotton.

We people of the Northwest who raise the food for the country have to pay for our labor according to the law of supply and demand, and if labor is short we have to pay \$5 a day for it. We have either to pay that amount or we must leave our fields idle. There is no middle ground for us on this proposition. We have to purchase everything that we buy and need upon our farms according to the prices that are fixed by the law of supply and demand of both the labor and the materials which we must purchase.

Laboring under those conditions we feel as though we ought to be left to the law of supply and demand in selling the products which we have to sell. The law which the Senator from Mississippi has enunciated that whenever you increase the quantity you will depreciate the price and whenever you lessen the quantity you will appreciate the price ought to apply to our products now just as it applies to his cotton and to the labor which we must employ.

But the Senator from Mississippi seems to have ignored the condition that is confronting us. The Congress of the United States did step in, and they gave the President the power to fix the price of food products. Acting upon that the President fixed the price of the thing which we produce mostly in our State, namely, wheat, at \$2.20 a bushel for the 1917 crop.

Mr. WADSWORTH. Mr. President—

The PRESIDING OFFICER. Will the Senator from North Dakota yield?

Mr. McCUMBER. I yield.

Mr. WADSWORTH. I do not mean to be over technical, but can the Senator point to any provision of the food-control act which gives the President the power to fix the price of wheat for 1917?

Mr. McCUMBER. It gives him the power to take the mills and gives him the power to operate them. It gives him the power to license, and under the authority to take possession of the mills that grind the flour and under the authority to license the manufacturer of flour he can grant licenses only upon condition that the licensee pay the farmer a certain price for his grain, and in that way the authority granted has been exercised and this action might be sustained by the law itself.

Mr. WADSWORTH. Does the Senator think that was in the spirit of the act?

Mr. McCUMBER. No; I would say it is not. I do not think it was in the spirit of the act that we should take this method of driving down the price of the product on the farm. On the contrary, I think the spirit of the act was that the producer should be let alone entirely in the matter.

Mr. CURTIS. Mr. President—

The PRESIDING OFFICER (Mr. GONZA in the chair). Does the Senator from North Dakota yield to the Senator from Kansas?

Mr. McCUMBER. I yield.

Mr. CURTIS. I wish to ask the Senator if he does not think that it was the belief on the part of the Members of the Senate that the farmers would be left alone and their market would be left free and that they would get the market price without interference?

Mr. McCUMBER. Under the guise or the theory of controlling the middleman or the profiteer we have so operated under that law that we have choked down the price of wheat to such an extent that he will be unable to produce the wheat that the country needs.

Mr. CURTIS. Mr. President—

Mr. McCUMBER. I yield.

Mr. CURTIS. Will the Senator also permit me to state that very little, if any, benefit has been derived by the consumer?

Mr. KING. Will the Senator yield?

Mr. McCUMBER. I yield to the Senator from Utah.

Mr. KING. I wish to say that the entire food bill is one which I did not agree to with very much enthusiasm. Indeed, I voted for it very reluctantly, and stated that I thought it was in contravention of the law of economics. But what I rose to say is this: I have been advised, and I am asking for information because the Senator may know far better than I, that the gentlemen who fixed the price of wheat were a committee composed principally of farmers, called in to aid Mr. Hoover, and that Mr. Hoover himself was not in favor of fixing the price of wheat. Does the Senator have information upon that matter?

Mr. McCUMBER. I have complete information on what was done. It was not a committee of farmers that fixed the price. On the contrary, it was a committee composed of consumers and of the middlemen who do the manufacturing that fixed the price; and while we had a representative from the State of North Dakota who was heard upon that matter, of course he was in the minority, and the price fixed much lower than he contended for.

Mr. GORE. Mr. President—

Mr. McCUMBER. I yield to the Senator from Oklahoma.

Mr. GORE. I ask the Senator from North Dakota to name the chairman of the board that fixed the price of wheat last August.

Mr. McCUMBER. I do not remember who was the chairman of the particular sub-board which heard the testimony on prices.

Mr. GORE. Dr. H. A. Garfield, of Fuel Administration fame. He was chairman, and his name appears first on the report signed by the board. I believe Theodore Vale is the second name. I do not think anybody would regard Mr. Vale as a farmer. I understand there was not a wheat farmer on the committee. There was one man from Georgia, a cotton State, who is a farmer, and another one from Illinois who is a prominent corn producer.

Mr. SMITH of Michigan. If the Senator will permit me—

Mr. McCUMBER. I yield.

Mr. SMITH of Michigan. Is that the same person who fixed the price of coal?

Mr. GORE. It is one and the same.

Mr. SMITH of Michigan. It was not very well fixed. Mine went up from about three and a half dollars to \$11 a ton. I do not know how other Senators were affected.

Mr. POMERENE. Mr. President—

Mr. McCUMBER. I yield to the Senator from Ohio.

Mr. POMERENE. Will the Senator allow me to make a suggestion, in view of what has been said? I have been informed that a member of that price-fixing committee was Mr. L. J. Taber, who was master of the Ohio State Grange. He is a farmer also.

Mr. GORE. Does he produce wheat?

Mr. POMERENE. He is a farmer.

Mr. SMITH of Michigan. Did the master of the Ohio State Grange fix the price of fuel?

Mr. POMERENE. I wish the Senator would not refer to the subject of fuel.

Mr. SMITH of Michigan. I am not seeking to lure the Senator from Ohio into any discussion that he might shun, but it is a new one on me if the president of the Ohio State Grange fixed the price of coal.

Mr. McCUMBER. Mr. President, I have been diverted somewhat from the principal subject, but I desire to present to the Senate and I ask the attention of Senators to a few cogent reasons justifying the setting aside of the rules of the Senate and allowing this amendment to be placed upon the pending appropriation bill.

Let us recall this one fact: Whether we acted wisely or unwisely in passing the food bill, we did pass it. Whether or not the operations under it have been just and fair and proper, the fact is that under its operations we have driven down the price of the thing below all other things that you wanted the farmer to produce in this country to such an extent that he can not afford to produce it. Now, there is a simple proposition. No Senator and no one else in the United States would say that barley ought to be worth more than wheat when the amount of barley which is raised per acre is almost double that of wheat; no one would say that the price of rye should be more than that of wheat; no one would claim that one ought to pay more for a 10-pound sack of corn meal at a retail store than he would pay for a 10-pound sack of white flour; no one would claim that one ought to be taxed more for rye flour than he would be taxed for wheat flour; and yet such is the case to-day. These facts indicate that there is a wrong and there ought to be a remedy.

I want now to call your attention to the price of these several cereals on the 9th day of March, 1918, at Minneapolis, Minn. Wheat on that day was worth \$2.20 a bushel. I say "wheat," but I mean No. 1 northern wheat. That No. 1 northern wheat probably did not represent more than one-fifth of the wheat that was marketed in Minneapolis on that day. Much of that wheat was No. 2, No. 3, and No. 4, and no grade at all.

But, taking the very highest price only for the one grade of wheat, what would you receive at Minneapolis for the highest standard grade that is raised of northern wheat? You would receive \$2.20 a bushel.

Upon the same day rye was selling for \$2.90 a bushel; on the same day barley was selling at \$2.25 a bushel; on the same day corn was selling for \$1.85 a bushel; and oats were selling for 98 cents a bushel.

Now, let us get at the yield per acre. Taking an average of 10 years throughout the United States, we find that the yield of wheat was 14.7 bushels per acre; of corn, 26.1 bushels per acre; of rye, 16.1 bushels per acre; of barley, 24.2 bushels per acre; and of oats, 31.2 bushels per acre. Oats must have ranged over much of the southern and eastern territory at a very low yield, because if you will take the oats that are raised in the Northwest you will find that the average yield is almost double that.

Mr. POMERENE. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Ohio?

Mr. McCUMBER. I yield.

Mr. POMERENE. I was attracted by the figures which the Senator from North Dakota gave as to the prices of corn and rye. The Senator regards those prices as exorbitantly high, does he not?

Mr. McCUMBER. Well, compared with the price of wheat, they certainly are exorbitantly high.

Mr. POMERENE. But compared with the price of corn or of rye during normal years they were exorbitantly high?

Mr. McCUMBER. Yes; in normal years those would be exorbitant prices. In normal years, when a farmer could hire men for from \$25 to \$30 a month and board, of course a price of that kind would be exorbitantly high; but if, as to-day, he must pay \$60, \$80, \$90, and in some instances

\$100 a month and board for labor, which would amount to \$125 a month, that price is very low—so low that if a farmer had to hire all his help, it would be impossible for him to raise any of these grains for that price.

Mr. NELSON. Mr. President, will the Senator from North Dakota yield to me for a moment?

Mr. McCUMBER. I yield to the Senator from North Dakota.

Mr. NELSON. With the permission of the Senator from North Dakota, and in answer to the Senator from Ohio [Mr. POMERENE] as to the prices of these various grains, I desire to say that I have been engaged in grain raising more or less for 40 years, and my experience has been that in normal times when we were getting from 80 cents to \$1 a bushel for wheat our rye would be selling from 50 to 60 cents a bushel. In those days I used to be glad when I received 60 cents a bushel for rye. In the fall of the year our oats would generally be selling at from 20 to 25 cents a bushel at home, while toward spring they might go up to 30 cents a bushel. Corn generally sold from 40 to 50 cents a bushel. Those were the prices of what we called coarse grains in those days in normal times, as compared with the price of wheat. We received from 40 to 50 cents a bushel for corn, from 20 to 25 cents a bushel for oats, and from 50 to 60 cents a bushel for barley. I have often sold barley, where it was mixed with some foul stuff, at as low as 40 cents a bushel, when it was known as feed barley.

If the Senator from North Dakota will indulge me further, I desire to say, as to the price which was fixed last year for the farmers' wheat, as a matter of fact the bulk of the wheat did not bring the farmers \$2 a bushel. I raised on my farm a first-class quality of what is known as durum macaroni wheat, but because there was a small quantity of cockle in it that wheat was graded as No. 4, and I only got \$1.96 a bushel for it. Most of our farmers had a similar experience. Their wheat would be graded down so that a very small proportion of farmers in the aggregate got as high as \$2 a bushel for their wheat.

Mr. POMERENE. Mr. President, I do not care to interrupt the speech of the Senator from North Dakota, but I think the statement which has been made by the Senator from Minnesota as to the relative prices of these cereals is substantially correct. I think that another fact that ought to be borne in mind in connection with this subject, as showing the abnormally high price of corn, is that while the price has been abnormally high, the quantity of corn raised last year was unusually great, but it is true that there has been a good deal of soft corn, and this soft corn has been sold at abnormally high prices—out of all reason, in my judgment.

Mr. McCUMBER. Well, I am not dealing with the corn question, nor is that being dealt with in this particular amendment. What this country is now asking of the farmer is that he shall produce wheat. Will the farmer produce wheat under present conditions? Can you compel him to produce wheat when he has got to produce it at a loss? Without any question, in my State wheat would be produced at a loss under present prices for labor.

Let me call the attention of the Senator to the fact that the western two-thirds of the State of North Dakota for two years now has only produced enough wheat for seed, and in many instances the farmers have not produced even that much. So they are not getting rich on \$2.20 a bushel wheat, because they do not raise it. We were perfectly willing to be left to the law of supply and demand, and if you will take off all restrictions to-day and let that wheat bring what the demand for wheat would give it, we shall be perfectly satisfied.

Mr. POMERENE. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Ohio?

Mr. McCUMBER. I yield.

Mr. POMERENE. I realize that the State of North Dakota during the last two years has been somewhat unfortunate; that is, they did not have an average crop of wheat during those two years. Other sections of the country were more fortunate; but I submit it is hardly fair to determine the price of wheat now by what may have been the cost per bushel of wheat when in some sections of the country it was almost a total failure. I dare say that there are farms in the Dakotas, if I have been properly informed as to the yield of wheat there, on which, if the price which the farmer could have realized would have been \$10 a bushel, he would not have had a profitable return for his year's work, because the elements had been such that the crop was a substantial failure.

I think that when it comes to a question of ascertaining the price of wheat, and so forth, we have got to bear in mind what at least is an average crop. You might fix the price to-day at \$2.50 or \$3 a bushel, and we may have a yield during this coming year which might be equal to the yield of 1915, which was

abnormally great. To fix the price on that basis, certainly would not be fair to the public.

Mr. McCUMBER. Very well, Mr. President, I think the Senator, then, will agree with me that if the crop of wheat in 1915 was a little over 1,000,000,000 bushels and that in 1917 there was but a trifle over 500,000,000 bushels, or only about one-half of what the crop was in 1915, the farmers who only raised half a crop that year ought to be entitled to a better price for what they did raise; they ought, therefore, to have the benefit of the general law of supply and demand. Give them that and they will take their chances as to whether their crop will bring more or whether it will bring less. That is all the farmer is asking for.

Mr. POMERENE. Mr. President—

Mr. McCUMBER. Just a minute. As I have said, when you fix the price of the farmer's product you in all equity ought to fix the price of everything that the farmer has to buy, and you ought especially to fix the price of labor that goes into his product. Now, inasmuch as you have not fixed the price of any of the other articles, and inasmuch as the shortage of labor—if I may call it a "shortage," for the difficulty is not altogether due to shortage—has created such a demand that the price has doubled and trebled and quadrupled, it does seem to me that those conditions should be taken into consideration in fixing the price, if you are going to fix it, at which the farmer must sell his product.

I now yield to the Senator from Ohio.

Mr. POMERENE. I do not think I am treating the Senator quite fairly in taking so much of his time—

Mr. McCUMBER. I am always glad to yield to the Senator.

Mr. POMERENE. But I simply want to make this observation, and in my own time I will submit such further observations as I may care to make.

The Senator has spoken about the law of supply and demand. I recognize the fact that it is a well-established rule of political science that the law of supply and demand fixes prices, but I think we ought to add to it the qualification that it only fixes prices when it is permitted to operate, and I submit that during the last two years the law of supply and demand has not operated in this country either as to wheat or meal or corn or oats.

Mr. McCUMBER. What does fix the prices, then, will the Senator tell me?

Mr. POMERENE. A lot of hoarders and a lot of gamblers.

Mr. McCUMBER. The Government to-day has complete control over the question of monopolies. Does the Senator claim that the Government is not performing its duty to annihilate any person or any corporation that seeks to obtain a monopoly over food products? Is the Government failing?

Mr. POMERENE. Mr. President, I think either the Government or the Congress or both have failed to perform their duty in this: An attempt has been made to regulate the price of wheat, but corn and oats and other competing cereals have been left in the open market where the prices have been advancing out of sight. Corn at such prices as we have now is simply a monstrous proposition.

Mr. REED. Mr. President—

The PRESIDING OFFICER (Mr. SHAFROTH in the chair). Does the Senator from North Dakota yield to the Senator from Missouri?

Mr. McCUMBER. I yield.

Mr. REED. I should like to ask the Senator from Ohio now if the remedy he proposes is by law or regulation to reduce the price of corn and all the other cereals? Is that the remedy he proposes?

Mr. POMERENE. Why, Mr. President, I have said that I believe it is necessary to fix the price of wheat; I believe it is necessary to fix the price of corn; I believe it is necessary to fix the price of oats or of any other cereal.

Mr. REED. But that is not the question. The Senator has stated that the price of corn and the price of other cereals aside from wheat has gone out of all reason. Now, I want to ask him if the remedy he proposes is, instead of letting the price of wheat be advanced, to reduce the price of corn and of the other cereals?

Mr. POMERENE. Mr. President, I realize that the Senator from Missouri has very decided views upon this subject, and I do not believe that he and I could agree upon it at all; but we do know that before the price of wheat was fixed the price was up to \$3 and \$3.50 in certain localities, and the price of flour was up to \$16, \$17, and \$18 a barrel. When we are fixing the price of a cereal which is necessary to sustain life, in my judgment it is necessary to keep it within reasonable bounds so as not to starve the people who are not producing cereals.

Mr. REED. Mr. President, I am sorry the Senator declines to answer the very simple question I put to him. He is about to

make a speech, so he has announced, upon this question. He comes from a great agricultural State, and I hope that when he comes to make his speech he will tell us whether the remedy he proposes is to reduce the price of corn and of rye and of barley, so that their price will be in proportion to the present wheat price; whether that is the remedy he proposes to give the farmer in lieu of giving the farmer an increase in the price of wheat. Now, while he is at it—

Mr. POMERENE. Mr. President, the Senator refers to the fact that I am from an agricultural State; I am. I am also from an industrial State, and these suggestions do not embarrass me in the least.

Mr. REED. I am not endeavoring to embarrass the Senator; I am very much in earnest about getting this great question—I dislike to trespass upon the time of the Senator from North Dakota, but will the Senator pardon just one remark?

Mr. McCUMBER. I yield; it is all illuminating.

Mr. REED. I am very much in earnest about getting this great question settled on what I think is a right basis, and I am very solicitous to secure, if possible, the very able help of the Senator from Ohio; and I assure him that when I referred to the fact that he is from a great agricultural State I did not mean, and could not possibly have meant, any reflection. Ohio is a great agricultural State; it is also a great industrial State; it is great in many ways; it has the Senator for its representative, and I was born in that State myself.

Mr. POMERENE. The State of Ohio is very proud of the latter fact, I assure the Senator.

Mr. REED. Jest aside, I am asking this question in all seriousness and it must be answered seriously.

Mr. POMERENE. It will be so answered.

Mr. REED. It must be answered seriously by the Congress and by the American people, because if we make a mistake it may be a tragic mistake. Now, while the Senator is answering the proposition to which I have just referred, I hope he will in his speech answer another proposition. A moment ago he assigned hoarding as one of the causes for the price of \$3.50 for wheat, which is rather high; I do not know of any \$3.50 wheat myself. I am going to challenge the Senator, good-naturedly, of course, to point out where wheat was held in such quantities by hoarders that it seriously affected the price. I am going to ask him, when he examines the figures, to look and see whether in the great terminal markets at the time wheat was \$3.50 a bushel there was not less wheat on hand in the great terminal markets than there had been at any similar period of the year for a number of years?

Mr. POMERENE. Mr. President, I again apologize to the Senator from North Dakota. My position, very briefly stated, is that when we started to fix the price of cereals we should have fixed the price of corn as well, and perhaps of oats and rye. That is my position; and, with that remark, I will not interrupt the Senator further, but in my own time will discuss the question.

Mr. McCUMBER. Mr. President, the Senator has just stated that his State is both an agricultural and an industrial State. Will the Senator kindly tell me what the average wage of the skilled workman is in the steel establishments of Ohio?

Mr. POMERENE. No; I can not give the Senator the price.

Mr. McCUMBER. I think the wages would run all the way from \$5 to \$12 a day, would they not?

Mr. POMERENE. Mr. President, I think that would fairly state the fact. It depends, of course, upon the kind of employment.

Mr. McCUMBER. Very well. Then, I will average it at \$9 a day. The Senator has complained about the poor people who receive only from \$5 to \$12 a day being compelled to buy flour that is manufactured from wheat that sold for \$3.50 a bushel; and he says that that would bring the price of flour up to \$18 a barrel. Well, as a matter of fact, each person in the United States consumes practically one barrel of flour a year. That means that a man working in the industrial field in the State of Ohio would work two days to buy all the flour that he would use for himself in 365 days. Now, does the Senator or any other person on the face of the earth know of a food product or anything else produced by human labor that is as cheap as white flour? It is the cheapest thing, compared with the amount of energy that is required to produce it, that you can get anywhere upon the face of the earth to-day, and that can be established without any possibility of question.

Mr. REED. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Missouri?

Mr. McCUMBER. Yes.

Mr. REED. If the Senator will permit me, I wish to make this remark: I put in the Record a day or two ago some figures

that were adduced before the Commerce Committee with reference to the wages paid in the shipyard at Hog Island, which were testified to be based upon the prices usually paid in Philadelphia and vicinity, and they were fixed by a Government board which was created for fixing wages on an equitable basis. Those wages had been preliminarily fixed, and, as so fixed, the average man in those yards, as I recall, even a common laborer, was making from \$50 to \$75 a week. A very large number of the employees—over 3,000—were averaging a good deal above \$200 a month. Those who wanted it were being furnished a bed at 10 cents a night, and they were being fed excellent meals at 30 cents a meal; and, upon review, the same board added 20 per cent to all of those wages. I give the Senator those figures because they fit into the statement which he has just been making.

Mr. NELSON. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Minnesota?

Mr. McCUMBER. I yield.

Mr. NELSON. The Senator from Missouri ought to have added one more word; he ought to have said that when they increased the rate of wage, the increase was made retroactive.

Mr. REED. Yes; it was made retroactive; that is correct.

Mr. THOMAS. Mr. President—

Mr. McCUMBER. I yield.

Mr. THOMAS. I think the Senator from Missouri should have also added the fact that the increase has recently been applied to the shipyards in the South, plus 20 per cent, and made retroactive so as to take effect last October.

Mr. GORE. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Oklahoma?

Mr. McCUMBER. I yield.

Mr. GORE. Before this question passes I simply want to say that the farmers who produce wheat in North Dakota and in Ohio have to pay wages in competition with the wages mentioned by the Senator from Missouri, or else—

Mr. McCUMBER. That is the point I was trying to make a short time ago.

Mr. GORE. Or else go without the help. It was testified before the Committee on Agriculture yesterday that in Minnesota last year the farmers were paying \$35 a month to farm hands, and got the hands, while this year they are offering \$60, with board and lodging, and are not getting the hands.

Mr. McCUMBER. Mr. President, one of the large farmers from my State was in my office this morning. He was trying to get help to do his seeding next spring and engage it beforehand, and he was talking with one of these I. W. W. bolshevik fellows. I do not know what you may call them. He wanted \$5 a day. The farmer said, "Well, I have got to have a man that will drive my gang plows and seeders." "How many horses do you use?" "I use five horses." This fellow said, "Have I got to hitch up those horses?" the farmer said, "Yes." The man replied, "I'll be d-d if I will hitch up five horses for any man for \$5 a day." That gives you a little bit of an idea of the difficulty that the farmer encounters in attempting to secure help to-day to do his farm work.

The other day I gave a table showing what was paid to riveters out on the coast in the shipbuilding industry. They were paid \$11.10 a day each. The average number of rivets driven by each was 51—\$11.10 for driving 51 rivets in a day! Now, the Senator from Ohio perhaps thinks that those are a suffering people, and that it would be an injustice to them to allow the farmer to receive \$2.50 a bushel.

The Senator thinks that wheat became high simply because there were monopolies handling it. Does not the Senator comprehend that in 1916 we raised, I think, but 558,000,000 bushels of wheat in the United States, just enough to feed our own people, and nothing to spare? We raised somewhat more in 1917. Now, notwithstanding the fact that we raised only enough to feed our own people under ordinary conditions, we shipped, or attempted to ship, a good many millions of bushels of wheat, some portion of which got over and some of which was fed to the sharks and swallowed up by the ocean. Now, necessarily, no one got the benefit of that wheat, but it reduced what was already a deficit to a greater deficit and necessarily increased the price.

All that the farmer asked, under those conditions, was: "Let me alone, and if I have got to compete for labor with establishments where a man will be paid \$11.10 a day for driving 51 rivets, for heaven's sake allow me to get what the public is willing to pay for my product. I am not hoarding it." That is all he is asking.

Mr. President, we get right back to the main proposition: Do you want to raise wheat in the United States in the summer of

1918? You are bound to raise some, no matter whether you pass this law or not; but do you wish to raise enough so that we will have some to ship to our allies, and will have a sufficient amount to meet the home demand without having wheatless days? If you do, there is a way to do it. If you do not, just vote down this amendment.

Mr. President, it is not so much a question of what it costs to get something as it is a question of whether or not you are going to get it. Our allies would sooner pay \$5 a bushel for wheat over in Great Britain, and be sure to get it, than to have the price fixed at 50 cents a bushel without any chance of getting it. They are not grumbling at the price they will have to pay. What they want is something to keep them from starving while they are fighting this battle; and they do not care what they have to pay for it, provided they get it. They are not paying for their wheat to-day anything in comparison with what they are paying for ammunition, measured by what it costs to produce each of those articles; and they are not grumbling because they are having to pay four and five and even ten times as much as they used to have to pay if they had bought shells in the United States.

All they say is, "Give us the shells at any price." They will also say, "Give us the wheat at any price, for all we want to be sure of is that we will get it." Now, we ought to produce it.

The Senator has spoken about corn. Our allies would be glad to get corn if they could use it, but corn will spoil before it is kept many days, after it has been ground, in a moist climate. Therefore they can not use American corn to any great extent to feed their soldiers and to feed their population over in Europe. They must have either rye or barley or wheat or oats; so if they get these articles they will be satisfied.

Mr. GORE. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Oklahoma?

Mr. McCUMBER. I yield to the Senator.

Mr. GORE. I think the Senator might do well to mention this fact at this point, that the value of corn for food is only about two-thirds that of wheat, and that if we could ship corn instead of wheat to our allies in Europe it would take practically a third more shipping space.

Mr. McCUMBER. The Senator is correct, and I will put in the Record something concerning that in a short time.

Now, to get at the facts that stare us in the face, I have given you the average yield of these cereals for the last 10 years. I am going to give you now what the farmer would receive for those cereals per acre under the present price.

With wheat at \$2.20 a bushel, and an average yield of 14.7 bushels to the acre, the farmer would receive \$32.34 for an acre. With corn at \$1.85, he would receive \$48.29 for each acre. Remember that he can leave his corn in the shock; he can leave it upon the stalk after it is ripened for a month or two months or three months, and then gather it, if it is sufficiently dry, and his family can do that work; whereas with wheat the moment it is ripe it must be cut, and it must be shocked and taken care of, and he must hire help if necessary.

Again, while from wheat he would receive \$32 an acre, rye at \$2.99 a bushel would give him \$48.14 an acre. Barley would give him \$54.45 an acre.

Now, will a farmer raise wheat—can you compel him to raise wheat, or if he is in his right senses would he naturally raise wheat—at \$32 an acre, when he can get \$54 an acre for raising barley, which is much easier to raise, and not only very much easier, but it assists him in cleaning up his land against foul stuff that will accumulate where you have cropped with wheat one year after another?

Mr. SMITH of Michigan. At the present price of corn and barley?

Mr. McCUMBER. At the present terminal price of corn.

Mr. GALLINGER. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from New Hampshire?

Mr. McCUMBER. I yield to the Senator.

Mr. GALLINGER. In the section of the country from which I come there is a great deal of discussion going on and inquiries being made as to the cause for the abnormal price at which barley, rye, and oats, particularly, are held, and to some extent corn. I will ask the Senator from North Dakota if he can give me the information that will enable me to satisfy my correspondents that there is a legitimate reason for it, because I remember the time when barley and oats and rye and even corn were sold at one-third the price at which they are now held. There must be some good reason for it. Perhaps I ought to know it, and yet I should like the opinion of the Senator from North Dakota, who has studied these questions much more carefully than I have.

Mr. McCUMBER. First, Mr. President, with a world war on, as there is to-day, everything is in a feverish state, a state of uncertainty. All the warring nations want to get hold of all the grain that they can get hold of at any price. That of itself necessarily, irrespective of the general consumption of the world compared with its productiveness, would send prices skyward. Second, we do not get over to the old country every barrel of flour that we ship, or every bushel of wheat, or corn, or oats. I never have been able to secure from any one of the departments the proportionate part of our shipments that goes to the bottom of the ocean. That is kept secret, but we all know that it is very great. We know it from the fact that we know that most of these ships that are sunk carry food. Eighteen British ships, on an average, outside of their fishing vessels, are going down to the bottom of the ocean every week; and nearly every one of those ships has not only munitions but food products on it. Then, we will say there will be 10 other ships going down every week that belong to the allies and to neutrals, making from 28 to 30 shiploads of produce that are fed to the ocean every week. The Senator can see that any nation wanting to secure grain will keep its agents buying, buying, buying, all the time, as much as they can, the result naturally being to keep up the price.

Mr. GALLINGER. That can not apply to corn, inasmuch as the Senator has said already—which is true—that corn can not be transported, either in the raw state or in the manufactured state, and made use of in the European countries.

Mr. McCUMBER. The moment that one class of cereals becomes scarce or becomes exceptionally high, it immediately drives to a high point the price of everything else that can be used as a substitute, so that it would bring up the price of corn a great deal above what would be normal.

Mr. GORE. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Oklahoma?

Mr. McCUMBER. I do.

Mr. GORE. Before the Senator proceeds further, after answering the question of the Senator from New Hampshire, I think it might be well to put in the Record at this time the fact that the advance in the price of the uncontrolled grain is no greater than the advance in the price of farm machinery. I will print in the Record, before the debate has closed, figures demonstrating that fact. They show that it is not a sporadic increase with respect to grain or farm products alone, but that it is a part of the general advance which characterizes everything that is uncontrolled.

Mr. McCUMBER. Let me ask the Senator how it compares with cotton, for instance?

Mr. GORE. Cotton is a fit illustration; and I may say that, as I recall, in the list of 100 leading articles of which Bradstreet has kept a record for a number of years, farm products show a less increase than anything else. I believe that lead is the only commercial article which drops down among farm products as in the class which has advanced the least.

Mr. McCUMBER. Mr. President, I ask permission to put into the Record at this time the table from which I have just quoted, giving the kinds of grain raised in the United States, the average yield per acre for the last 10 years, the price per bushel on March 9, 1918, and the yield in dollars per acre.

There being no objection, the matter referred to was ordered to be printed in the Record, as follows:

Kind of grain.	Average yield per acre of last 10 years.	Price per bushel on Mar. 9, 1918.	Yield in dollars per acre.
Wheat.....	14.7	\$2.20	\$32.34
Corn.....	26.1	1.85	48.29
Rye.....	16.1	2.99	48.14
Barley.....	24.2	2.25	54.45
Oats.....	31.2	.98	30.58

Mr. McCUMBER. In addition to that, Mr. President, I wish to put into the Record the number of calories in a bushel of wheat, a bushel of corn, a bushel of rye, of barley, and of oats, including the price of each of these bushels, showing how cheap, measured by the number of calories in a bushel, wheat is compared with all of the other grains.

There being no objection, the matter referred to was ordered to be printed in the Record, as follows:

	Price.
Wheat, 1 bushel, 60 pounds, 89,340 calories.....	\$2.20
Corn, 1 bushel, 56 pounds, 88,032 calories.....	1.85
Rye, 1 bushel, 56 pounds, 84,448 calories.....	2.99
Barley, 1 bushel, 48 pounds, 70,796 calories.....	2.25
Oats, 1 bushel, 32 pounds, 41,920 calories.....	.98

Minneapolis quotations of March 9, 1918.

Mr. McCUMBER. I wish also to insert in the Record another statement, showing the number of calories in 60 pounds of wheat, corn, rye, barley, and oats; and still another table, which will show just what a bushel of wheat will buy—in other words, what \$2.20 will buy of calories in other grains.

There being no objection, the matter referred to was ordered to be printed in the Record, as follows:

	Cost.
60 pounds of wheat contain 89,340 calories.....	\$2.20
60 pounds of corn contain 94,320 calories.....	2.00
60 pounds of rye contain 90,480 calories.....	3.20
60 pounds of barley contain 88,500 calories.....	2.80
60 pounds of oats contain 78,000 calories.....	1.84
\$2.20 will buy—	
89,340 calories of wheat.	
104,684 calories of corn.	
62,135 calories of rye.	
69,221 calories of barley.	
94,005 calories of oats.	

Mr. McCUMBER. I will quote this:

Two dollars and twenty cents will buy 89,340 calories of wheat; it will buy 104,684 calories of corn, 62,135 calories of rye, 69,221 calories of barley, and 94,005 calories of oats.

Wheat has already for the 1918 crop, been raised from \$2 to \$2.20 a bushel by the order of the President. We seek by this amendment to raise it to \$2.50 a bushel at the local market, which perhaps would be equivalent to an increase of about 35 to 38 cents a bushel at the terminals.

Let us see the effect of this. It means everything in the world to the farmer who is going to produce this wheat. It would make a difference, we will say, of 30 cents a bushel. Do Senators stop to think how much difference that would make in the price of a loaf of bread? I gave a table in an address a short time ago showing that an increase of 10 cents a bushel on wheat, when converted into a loaf of bread, meant one thirty-second of 1 cent per loaf of bread. If you raise it to 30 cents a bushel that will be three times that or about one-tenth of 1 cent a loaf. While the increase of 30 cents a bushel would determine whether or not we would raise enough wheat to support ourselves and furnish some to the allies, it would mean an increase of only one-tenth of 1 cent a loaf to a man, and inasmuch as a family of five consume about four loaves of bread a day upon the average it would be four times that, or 4 mills, or less than one-half of 1 cent a day for a whole family. That is exactly what it means. That is the awful imposition upon the laboring man who is receiving \$11 a day and is 50 per cent efficient by the farmer in asking \$2.50 per bushel for his grain.

Mr. GALLINGER. Mr. President, will the Senator permit me to interrupt him?

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from New Hampshire?

Mr. McCUMBER. I yield.

Mr. GALLINGER. Perhaps it is my own fault that I do not know definitely the proper answer to give to the question I am going to propound, but I have been a very busy man during this session.

I am going to ask the Senator if, after the price of wheat has been fixed, the price of bread has been or will be fixed? In other words, after this increase in the price of wheat is established, can the men who produce bread fix their price, and increase it at their own sweet will, or not?

I do not know but that Mr. Hoover has fixed the price of bread. They are doing such extraordinary things that I am bound to confess my ignorance.

Mr. McCUMBER. Mr. President, he has in a way fixed the price of bread, the same as he has in a way fixed the price of a great many other articles. For instance, there will be published I think in practically every morning newspaper, or at least once a week, a list of articles, stating the prices that the consumers here in the city of Washington should pay. That list includes bread and beans and pork and everything else; and in addition to that, at the bottom of this table, there is printed a request that if any greater charges are made against anyone they will report the fact to the board. The board has, of course, already had hearings with these people and has told them what they could charge and had a right to charge; and I think for the most part they are conforming to the requirements of the board.

Mr. GALLINGER. I trust that is so, Mr. President, although I think the general consuming public pay mighty little attention to those tables in the morning papers, or in the evening papers, for that matter.

Mr. McCUMBER. I think a great many of the sellers make excuses that they are just out of those articles.

Mr. GALLINGER. Just one other observation; and I do not make this in antagonism to the position the Senator takes. It is not quite fair, however, to cite the abnormal wages that are being paid at Hog Island, or on the Pacific coast, or anywhere

else where Government contracts have been made in what I regard as a very reckless and indefensible way. There are multitudes of people all over the country who do not receive those wages and who do consume flour. Every pound of flour that is used in New England comes from the West. We scarcely raise a bushel of wheat in New England at the present time, and it would be a losing venture to undertake to raise it, although some of our farmers did experiment a little in that direction last year; but the people who consume that flour are people getting very moderate wages, as a rule. They are the men and women in our textile industries, who get what has been denounced on this floor a score of times as a ridiculously low wage.

Mr. McCUMBER. How much?

Mr. GALLINGER. I can not tell the Senator exactly how much, but they are not any such wages as have been quoted for these governmental industries; and the ordinary people are working for wages a little higher than they got a year or two or three years ago, but nevertheless they are normal wages. So that in considering the question, it is right that we should look at this question by and large and not say that a man is getting \$11.25 a day somewhere, and hence he can afford to buy flour.

Mr. McCUMBER. Suppose he is getting \$5 a day?

Mr. GALLINGER. Well, we do not pay that, as a rule. I suppose, probably, the wages in the textile industries in this country not only in New England but throughout the country, taking the men and women who are employed—and they are largely women—would be less than \$2 a day. I think probably that is true. They should be considered in this matter; and even if they pay but one-tenth of a cent increase on a loaf of bread, with the abnormal prices of everything that they purchase in the line of furniture and clothing and everything else, even that may be a burden.

I do not suppose anybody will agree with me that we ought to consider this at all; but the average man and woman dependent upon the West for their wheat and their flour are considering it, and I think it is very natural that they should.

Mr. McCUMBER. I have stated that if you put the flour up to \$15 a barrel, or even as high as \$18 a barrel, one barrel lasts one individual one year; and I insist that giving two or three or four or even five days' labor in a year for all the flour that that individual will consume is not an imposition upon him. The great trouble is that the farmers have been producing these products so long for a price that gave them a mere existence, and we are so in the habit of getting their products without any profit whatsoever to them, that we feel that they must continue to be the benefactors of the world, and furnish their products at the same inadequate prices, while the people with whom they are dealing are receiving two and three and four times as much as they did in previous years.

Mr. GALLINGER. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota further yield to the Senator from New Hampshire?

Mr. McCUMBER. I yield to the Senator.

Mr. GALLINGER. I think I am a reasonably good friend of the farmer.

Mr. McCUMBER. The Senator is a good friend of everyone.

Mr. GALLINGER. I was born on a farm and I have been in sympathy with the farming population, and yet am I mistaken in the information that has come to me and the pictures that I have studied in magazines and newspapers that the farmers of the West, as a rule, are very prosperous at the present time, having more automobiles per family than almost any other class of the community, either West or East or in the Middle States? Am I mistaken about that?

Mr. McCUMBER. Yes; the Senator is mistaken.

Mr. GALLINGER. Then the newspapers and magazines are imposing upon the American people.

Mr. McCUMBER. Let me state the situation to the Senator. The farmer has to come to town once in a while.

Mr. GALLINGER. Yes.

Mr. McCUMBER. The farmer will have to pay from \$350 to \$400 for a span of horses. The farmer could buy a Ford car last year for \$360—less than he would pay for a span of horses. The Ford would not be eating off its head during the winter months. It would pay him from the standpoint of dollars and cents if he had much running to town, if he lived 6 or 8 miles out, to use gasoline, even at the prices he has been paying, and use an auto; and he had to economize where he could get credit to buy the auto on three falls' time. He had to economize in every possible way that he could, and it was greater economy to use the Ford for the driving around than it was to use horses, and he has to use one of the two. Therefore the automobile proposition is not one that cuts a great deal of figure, any more than the fact that it pays him better, perhaps, to get a tractor to plow

with than it would to pay \$5 a day for a man to drive three horses.

Mr. GALLINGER. Mr. President, if the Senator will permit me, that is one side of the question.

Mr. McCUMBER. Yes.

Mr. GALLINGER. The other is that because of the universal use of automobiles we have to build nitrate plants in this country to supply the farmer with fertilizer.

Now, I do not think I was mistaken about that. I was in the Senator's State about 20 years ago, I think—possibly not more than 15 years ago—and I had some farms pointed out to me near Devils Lake that I could have bought, if I had had any money to buy them with—which unfortunately was not the case—for about \$8 or \$10 an acre.

Mr. McCUMBER. And the Senator would have had less money now if he had bought them.

Mr. GALLINGER. I am told that they are selling now for \$100 an acre. I was told so by North Dakota men. I do not know whether that is correct or not, and I suppose there have been some taxes paid on them, but of course they have raised crops all that time. So I may be mistaken about this; I may have been imposed upon; but while possibly the price of the farmer's wheat ought to be increased—I am not arguing that proposition now at all—I have been told, and I have been led to believe, that the farmers of these great agricultural States—and I have rejoiced in that fact, if it is a fact—have made a great deal of money in the last 10 or 15 years, especially the last 10 years.

Mr. McCUMBER. Let me tell the Senator what the facts are. If the Senator would go into the county records and find the number of mortgages there are upon these lands, he would probably be astounded, but all this high-priced land is covered with mortgages that have to be paid. I do not suppose there is one farm in twenty in my State that is free from mortgage, taking the State through. I may be in error. My colleague keeps better acquainted with those matters than I do. There are so many mortgages in the United States and the farmers were having such a hard time to pay interest that the Government had to establish a rural bank system to help them out. That is some evidence of the fact that they had to borrow money. That is some evidence of the fact that they could not pay the interest that was being charged them. The Senator assisted with that bill, which I do not think was a very good one, because I think when you get through with it it will cost the Government the difference between what the farmer saves and what he was paying before, and possibly the Government might as well have made it in a direct gift. But, as a matter of fact, the farms are not paying very well.

Now, let me give the Senator another condition. We have a great many foreigners—that is, they were foreigners—in my State. They were from the Odessa country and other portions of Russia and Bohemia and sections of Germany. How do they farm? The wife does the shopping. The little girls that are 10 and 12 years old can pull a bundle of grain, and you will see them at work. The wife and every woman and every boy and child is at work. When they first come over here they live just about the same as they did in Russia, just as economically. They spend nothing unless they are compelled to spend it. They therefore are enabled to save what they do raise as a rule. Those people have been getting ahead. They have been getting ahead only because they have not lived up to the standard of American living.

Now, I want the American farmer to live just exactly as the rest of the average population of the United States. I want him to have a right to buy a Ford if he can and ride in it to town, and I think it is proper for him to do it. Those are the only people who have gotten ahead. Land has gone up, not that it will produce any more, but that it is getting scarce.

Now, let the Senator go and buy one of those farms at \$100 an acre. Suppose he has to pay 6 and 7 per cent for his money to buy it with and charge that up, as you would if you invested the same sum in a mercantile establishment. Then make an allowance for yourself as overseer. Then pay your wife what is being paid to your colored cook here in the city; pay as much to your daughter as you would pay a colored girl waiting on your table, and pay to your son one-half what you would pay to your chauffeur here in the city driving a car, and where will you end at the close of a year? It will depend on exactly what your credit is. If you are considered honest and have a credit, you may borrow enough money to live over the next year, but you will not make it off your \$100-an-acre farm in my State or anywhere else I know of where you have to hire labor.

Mr. President, we want to raise wheat. I do not care whether it is two or three dollars or five dollars a bushel, the main thing is to raise wheat and get it raised.

Mr. GORE. Mr. President—

Mr. McCUMBER. In just a moment. You can not expect this farmer who can get \$48 or \$53 an acre for what rye and barley he can raise to sow his land to wheat, when he can only get \$32 an acre and when he is bound to run behind in raising the wheat. I now yield to the Senator from Oklahoma.

Mr. GORE. I wish to ask the Senator from North Dakota if he does not think it economy even to the housewives in New Hampshire if we would fix the price of wheat high enough to insure a sufficient supply of wheat and thus enable us to cut out the order requiring the housewife to buy a pound of trash with a pound of flour? That involves double waste. It forces the housewife to gather into her pantry stuff she does not need. On the other hand, there is an artificial demand for those articles that raises the price to people who do want them.

Mr. McCUMBER. I thank the Senator for his suggestion.

Mr. THOMAS. Mr. President—

Mr. McCUMBER. I yield to the Senator from Colorado.

Mr. THOMAS. I am very much interested in the Senator's argument, and I agree with him very fully. It is noticeable that every time the Food Commission recommends a substitute for wheat or for some kinds of meat the substitute advances in price until it reaches the price of the thing desired to save. It is a good illustration of the effect of the law of supply and demand when untrammelled.

What I interrupted the Senator for was to say that some time before Mr. Hoover assumed his duties as food commissioner I had a talk with him, together with other gentlemen who were present, with regard to the manner in which he intended to control prices, and this was his reply in substance, that given reasonable appropriations for the purpose he could buy the surplus wheat of the country and store it away, go to Cuba and buy practically all the sugar product of Cuba and store that away, and then when prices threatened to rise above a proper level, everything considered, they could be equalized by letting some of the Government stores loose and go upon the market, the taxpayers, of course, paying the difference, if any, and by that means keep prices either upon or at a reasonable level. It was due to that purpose which caused me to give such support as I did to the so-called food and fuel conservation bill, and it is the only way, in my judgment, in which the Government can exercise price control with any degree of success, because, as the Senator says, while the Government can fix a price it can not force the producer to raise the substance about which the price is fixed unless he can do so at a profit.

The situation is vividly illustrated now in my State, where the fuel commissioner has fixed a price for coal that makes it impossible for the small, independent miner to produce coal except at a loss. As a result, during the last week, 52 mines have shut down, and as a consequence our coal output is reduced more than 18,000 tons a day. It is a good illustration of the manner in which arbitrary interferences with the law of nature—I think I do not go too far in calling it that—will result. You can lead a horse to the trough, but no power on earth that I know of can make him drink.

Mr. McCUMBER. I thank the Senator. I think it ought to be said here on the floor at this time by myself, that I believe considerable has come out of the orders with reference to wheatless days and the requirements to mix barley with bread, because I think it saves wheat to use the graham flour and other flours. I think that is a saving. Whether the whole amount when added together will represent any considerable number of bushels I am not prepared to say, but undoubtedly it will have some beneficial effect in saving the consumption of wheat in the United States.

Mr. THOMAS. If the Senator will yield for a moment further—

Mr. McCUMBER. Certainly.

Mr. THOMAS. I think I should add the statement that in my opinion that was, and to-day would be, Mr. Hoover's plan if he had executed it in accordance with his own judgment. I think there have been some interferences which have resulted in the arbitrary fixing of prices for certain necessities of life which have produced bad consequences.

Mr. GRONNA. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to his colleague?

Mr. McCUMBER. I yield to my colleague.

Mr. GRONNA. It is seldom that I differ with the conclusions of my colleague, but I have to do so at this time. I do not know that I differ only I have information which perhaps he has not received. It is true that we have been conserving wheat by wheatless days, but for the last four or five weeks witnesses have appeared before the Committee on Agriculture. Some 20

different farmers' organizations have been represented, and the testimony goes to show that while we are having wheatless days and conserving wheat by keeping it away from the human family there are millions of bushels being fed to animals.

Mr. McCUMBER. Because it is cheaper.

Mr. GRONNA. Because it is cheaper than any other grain. I simply wanted to call attention to the fact that I do not think we have conserved any wheat.

Mr. McCUMBER. But that was not due so much to the matter of the wheatless days as it would be due directly to fixing a price for wheat much lower in comparison with the real value than that of other cereals.

Mr. GRONNA. That is correct.

Mr. McCUMBER. In that respect I think my colleague is correct.

Mr. GALLINGER. Mr. President—

Mr. McCUMBER. I yield to the Senator from New Hampshire.

Mr. GALLINGER. I would not interrupt the Senator at all—

Mr. McCUMBER. I am glad to be interrupted.

Mr. GALLINGER. Were it not that this is a matter which appeals to me, and I am seeking information.

The Senator from Oklahoma propounded the interrogatory as to whether or not it would be better for the housewives of New England to have more wheat and not be compelled to buy something they did not want when they bought something they did want, as seems to be the case at the present time throughout the country, I judge; it certainly is so in Washington, where I know we are compelled to buy a certain amount of cereals if we buy a certain amount of wheat flour. If those who buy shredded wheat biscuit when they buy a certain amount of wheat flour will examine the package, they will find that they get about two-thirds the shredded wheat they got a few months ago. That has escaped the attention of Mr. Hoover, I imagine. I think that Mr. Hoover is making the most foolish orders that have ever been issued. I will not express my view about Mr. Hoover and his administration because it might not be parliamentary if I did so. I have not any faith in it at all.

One other point, however, the Senator has brought out, and that is the mortgages on the farms of the West. Mr. President, if there is a piece of property in the city of Washington that has not a deed of trust on it, equivalent to our mortgages in the East and the West, I think men will have to hunt some little time to find it. Of course there are properties that are not mortgaged, but as a rule they are mortgaged in almost every instance.

One other point. The Senator applauds the fact, and I agree with him, that the farmer can afford to buy Ford cars and dispense with the use of horses. That is the very thing that is troubling our people in the East. How does it happen that the horse has been almost extinguished as a draft animal and as an animal for pleasure, and at the same time what we buy from the West to feed the few horses we keep in the East has increased in price three times, such as corn.

I happen to own a couple of horses for my amusement, and I do not own at my home a car of any description. A letter that I received only yesterday stated that "the price of corn and oats is so high that I hesitate to buy it," and I know that the small farmers of New Hampshire to-day are sending their hens to the Boston market and disposing of them because they can not afford to buy grain to feed them and they do not get an adequate return from the eggs and the poultry that they sell.

Now, that is what puzzles me. As I said, the horse has been almost extinguished as a draft animal and as an animal for pleasure, and at the same time the price of what we feed to horses has increased to such an abnormal amount that those who have horses hesitate to make the purchase.

Mr. McCUMBER. If the Senator would follow the investigation just a little further he would get the solution of the whole problem. Go to that farmer in New Hampshire and ask him why he does not raise more of this article and that article, and what will his answer be? "I have got to raise it with labor. The prices that are now being paid to labor in your cities and in all work, directly for the Government or indirectly for war purposes, are so extraordinarily high that I can not pay the price and make anything even at the price that I may receive. Therefore I must quit raising." Therefore there will be a deficit in the market of those particular products, and that necessarily will raise the price. So it all gets right back to the question of the extraordinary price that is being paid for labor.

The Senator spoke of Hog Island. I have been told that the conditions which were prevailing at Hog Island and which were explained before the Committee on Commerce have been

practically cured. Now, maybe that has been the case at Hog Island. I talked with a contractor yesterday who the day before had visited one of the important ship-constructing plants at Wilmington, Del. He related to me and to others in my presence that he had gone on the upper deck, where there were about 100 workmen at about 3 o'clock in the afternoon, and not more than 5 or 6 of those men were working at all. They were just simply lying idle, and probably receiving a dollar an hour at least, and possibly higher than that. Can the farmer lure those men who are basking in the sunshine on these ships, and who are spending so much of their time doing nothing, and expect to get them at the same price upon the farm?

The labor market is shot to pieces. We are not getting efficiency in the production of scarcely anything in the United States to-day. The farmer is suffering because of that fact.

Now, let me state another matter that bears upon this question. Under your present system of raising money to buy liberty bonds you divide the country up into sections and you draw from the several sections according to the capitalization of the banks. Now, look at the States of North Dakota, Minnesota, South Dakota, Eastern Montana, Iowa, and the wheat-raising section generally.

In my State, with a failure of the wheat crop practically in two-thirds of the State for two years, the banks are called upon to subscribe for these liberty bonds. They have been so far able to meet the demands. They must not only subscribe for those bonds, but they must also lend money to the counties or to the farmers to buy seed grain to seed the land where there was a complete failure for a year or two past. Every dollar that is taken for the liberty bonds is taken out of those States. Where does it go? It goes into the State of Ohio, into the State of New Hampshire, into all the Eastern States and Middle States where there is any manufacturing, and there it is literally burned up in the exorbitant sums that are paid for labor and paid for material furnished. So the people in these latter States who are also taxed to buy liberty bonds get the money right back into their own section again. Now, that increases the price of labor. It increases the demand for labor in that section, and of course prevents the farmer in my section from getting labor unless he pays these enormous prices. As he can not compete with these manufacturers, he can not get the labor. Not only that, but his own boys leave the farms for this greater remuneration.

There is the condition we have to meet. How are we going to meet it? We ought to meet it by being allowed either to sell our products for what they are worth in the market, or if you are going to fix a price on any of these products fix a price at least sufficiently high so that with what labor we perform ourselves on the farm and what we can hire in addition, at these exorbitant wages, it will allow us a reasonable return upon our investment and a little profit. That is why we are asking that the price of wheat be fixed at \$2.50 a bushel.

Mr. President, I want to have read here a letter that I received from a gentleman who is farming in my county and which I think presents the matter very justly and fairly. He is a patriotic man, because he says he is going to raise wheat for this country even though he can make a great deal more if he raises anything else. I admit that his patriotism may be challenged a little, from the fact that the renter has to suffer the greater loss, but he also will suffer loss.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the Secretary will read.

The Secretary read as follows:

NORTHWESTERN CATTLE CO.,
Minneapolis, Minn., March 8, 1918.

DEAR MR. McCUMBER: Rye is selling for \$3 a bushel on the local exchange, barley is selling for 8 or 10 cents more than wheat, and corn at almost as much as wheat. If these prices continue, the farmers claim that wheat is the cheapest grain they can feed their stock.

It seems to me that the Food Commission is overreaching itself in fixing a price of \$2.20 on wheat and still urging the farmers to put in a big acreage. Even if the wheat is raised it will not be sold if coarse grains continue at their present high prices. Wheat is the riskiest crop that the farmer can raise. Iowa farmers have found out that it pays better to raise corn even at half the price of wheat. For 10 years there has been a propaganda in North Dakota urging the farmers to diversify. Now the Food Commission comes along urging the North Dakota farmer to plant more wheat, which works not only to the detriment of his land but of his pocketbook and nullifies the beneficial effects of the propaganda for diversifying.

If the farmer plants more wheat it certainly is from purely patriotic motives, as he certainly can have no other. It would be patriotic for him to plant more wheat even if the price of wheat compared favorably with other grains, for it is very bad for the land, as you know, especially land that has been raising wheat for 30 years or more; but in addition to this, the Government penalizes the patriotic farmer by fixing the price of his wheat at a dollar or a dollar and a half less than it would sell on the market. Three dollars or three dollars and a half would not be too high for wheat considering the price of other crops, such as cotton, corn, etc.

I noticed in one of our local papers the other day that there were many eastern buyers in Minneapolis buying up dry goods and shipping them back East where they came from. The article went on to say that the prices of many forms of dry goods were two or three times what they were a few years ago. Everything that the farmer has to buy is doubled or trebled. Feed for horses, to take just one item, is three times as high as a few years ago.

I am a great believer in allowing supply and demand to fix the price of merchandise. If any one article is unreasonably high people will immediately turn to something else. If the Government has to have wheat for export why does it not allow the farmers a price which will compensate them for their risk and for the damage to their land. If the price of wheat flour is high, people will use less of it.

On our farm we are going to put in 50 per cent more wheat than we did last year regardless of Government action. As you know, the price of wheat, whether it is two or three dollars would not make any vital difference to me, but it makes a big difference to our renter, who pays all the expenses and does all the work. He could make double the money by planting this acreage with almost anything else.

If wheat is to remain at \$2.20 everything that the farmer buys should be regulated to correspond. As this is impossible, it seems to me that the fair thing to do is to fix the price of wheat somewhere near its relative value. I can not see how this would disturb the present conditions or conditions until next July anyway. The price on the old crop could remain at its present price and the new price to affect new wheat only. Under such conditions, after seeding, all the old wheat in the country will come on the market.

I presume there is nothing new in this letter for you, but I felt that I ought to write you on account of my personal experience with North Dakota farming. It is an actual fact that the man who is running our farm is not a dollar ahead for the past two years of hard work, in spite of the comparatively high prices prevailing. Crops have been poor and expenses greater than ever.

Mr. McCUMBER. That letter is written by one who is farming in the Red River Valley, where they had no failure last year, but a fairly average good crop in 1917.

Mr. GRONNA. It is a favorite section of the State.

Mr. McCUMBER. Yes; it is a favorite section, as my colleague says, of the State. Yet, even with the prices that were being paid he has not gotten ahead during this last year.

Now, Mr. President, in closing let me say—

Mr. GORE. Mr. President—

The PRESIDING OFFICER. Does the Senator from North Dakota yield to the Senator from Oklahoma?

Mr. McCUMBER. I yield.

Mr. GORE. Did I understand the Senator to say he was closing?

Mr. McCUMBER. Yes; I desire to close now.

Mr. GORE. I was going to suggest to the Senator that I presume it would be just as well to adjourn until Monday and let him finish then. A good many Senators here have expressed a desire, it being Saturday evening, to adjourn; but if the Senator is on the edge of closing I will not make the suggestion now.

Mr. McCUMBER. Very well, Mr. President. This is simply a question of either letting the price alone entirely if you want to produce wheat or else allow a price that will somewhat compare with the prices that are fixed by the law of supply and demand on other articles.

Mr. GORE. Mr. President, for the reasons suggested a minute ago, I move that the Senate adjourn.

The motion was agreed to; and (at 4 o'clock p. m.) the Senate adjourned until Monday, March 18, 1918, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES.

SATURDAY, March 16, 1918.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:—

O Lord God Almighty, to whom we have been taught by the Master to look up in faith and confidence, and call Thee by the endearing name Father, which is altogether reassuring, quicken, we pray Thee, our activities and efficiency in the work whereunto Thou hast called us, that we may be faithful servants in the furtherance of the eternal plans which Thou hast ordained, and which in spite of the untoward circumstances of life Thou shalt in Thine own good time accomplish, to Thy glory and to the good of Thy children—

That nothing walks with aimless feet,
That not one life shall be destroyed
Or cast as rubbish to the void,
When God hath made the pile complete.

And all praise shall be Thine, in His name. Amen.

The Journal of the proceedings of yesterday was read and approved.

ANONYMOUS BILL.

The SPEAKER. Some gentleman, without writing his name on it, filed a bill providing pensions at the rate of \$30, \$32, \$35, \$38, and \$40. Who is the author of the bill?

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Waldorf, its enrolling clerk, announced that it had passed Senate bills of the following titles, in which the concurrence of the House was requested:

S. 3798. An act granting pensions and increase of pensions to certain soldiers and sailors of the Regular Army and Navy and of wars others than the Civil War, and to certain widows and dependent relatives of such soldiers and sailors;

S. 3476. An act to authorize the extension of a spur track or siding from the existing lines of railroad in the District of Columbia across First Street NE., between L and M Streets, to the buildings occupied by the field medical supply depot of the Army; and

S. 4699. An act to amend and reenact section 5200, Revised Statutes of the United States.

ADDITIONAL ASSISTANT SECRETARIES OF WAR.

Mr. DENT. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 9352) to amend an act entitled "An act providing for an Assistant Secretary of War," approved March 5, 1890, and for other purposes, my purpose being to move to concur in the Senate amendments.

I will state that the bill as it passed the House was drafted by the War Department, and after it passed the House it was discovered that unintentionally the salary of the present Assistant Secretary had been reduced from \$5,000 to \$4,500. Except in the Department of Justice all Assistant Secretaries get \$5,000 a year, and it was not intended to reduce the salary of the present Assistant.

Mr. MILLER of Minnesota. Mr. Speaker, reserving the right to object, I should like to ask the gentleman a question if I may. There was so much confusion here and I do not know that I quite understood him, and I want to be put right. My understanding is that the two gentlemen who will be affected by the passage of this bill are already in office and receiving compensation at the rate of \$4,500 a year, and refuse to serve longer unless their salaries are increased to \$5,000, which will be accomplished by the passage of this bill. Am I correct?

Mr. DENT. The gentleman is entirely incorrect about that.

Mr. MILLER of Minnesota. Then I want to be corrected.

Mr. DENT. I can not say who will be appointed. I have no private or inside information, and have not had the curiosity even to ask—

Mr. WALSH. Did not the gentleman—

Mr. DENT. Let me answer the gentleman from Minnesota. I have not even had the curiosity to ask who would be appointed to these additional places. I do not know whether the gentlemen who are now receiving \$4,500 will be appointed or not. The law simply provides for these two additional Assistant Secretaries, to get \$4,500, but in the bill as drafted in the War Department, and as passed unanimously by the House here about a week or 10 days ago, unintentionally the salary of the present Assistant Secretary of War, an office that has been in existence for many years, was reduced from \$5,000, which he is now receiving, to \$4,500. It is the purpose simply to correct that mistake, and the Senate amendment, as I understand, does it.

Mr. MILLER of Minnesota. Of course nobody would want to see the salary of the present Assistant reduced. May I go further and inquire, does this bill really create, then, two new Assistant Secretaries in the War Department?

Mr. DENT. The House has already decided that it does. The War Department has requested it and the Senate has agreed. The War Department, which is perhaps the most overworked department now in Washington, has but one Assistant Secretary of War. This bill has already passed the House unanimously a week or 10 days ago.

Mr. MILLER of Minnesota. One further inquiry. Can the gentleman inform the House whether or not it is the intention of the present Secretary of War to remain permanently in France, so that this newly created office is necessary for that reason? I ask that in good faith, because it has been stated that he is going to remain on the War Board.

Mr. DENT. I will state to the gentleman that my information is that the Secretary does not intend to remain permanently in France.

Mr. MONDELL. The purpose and effect of the Senate amendment, as I understand, is simply to restore the present salary of the Assistant Secretary?

Mr. DENT. Of the present Assistant Secretary, as I understand it.

Mr. STAFFORD. Will the gentleman yield?

Mr. DENT. I yield to the gentleman from Wisconsin.

Mr. STAFFORD. As I understand the purpose of the Senate amendment, it goes further and provides \$5,000 for these two

additional Assistant Secretaries of War. The present Assistant Secretary of War receives \$5,000. As I remember from looking over the bill as it was returned from the Senate, for these two additional secretaries it increases the amount from \$4,500 to \$5,000.

Mr. DENT. I think the gentleman is mistaken about that. If I am mistaken as to this, it is due to my misunderstanding of the Senate report.

Mr. DYER. Reserving the right to object, Mr. Speaker, I want to ask the gentleman in regard to a matter which has been in the public press very much here of late, especially yesterday and the last few days, with reference to legislation recommended by the Surgeon General for what he says are the needs of the Medical Department of the Reserve Corps and Medical Corps, as to efficiency; and I will ask the gentleman if he knows what the attitude of the War Department is in reference to this Assistant Secretary of War who is now acting Secretary of War?

Mr. DENT. Of course, that has absolutely nothing to do with the matter now pending before the House. The gentleman was in my office this morning, and I stated to him very frankly that there was a conflict of opinion on the subject.

The SPEAKER. Is there objection?

Mr. STAFFORD. Mr. Speaker, reserving the right to object—and I do not intend to object—I merely wish to state to the Chairman of the Committee on Military Affairs that I have just reexamined the amendment as passed by the Senate, and the purpose is, as I stated to the gentleman, to increase the salaries of these two new Assistant Secretaries from \$4,000 to \$5,000. The existing salary of the present Assistant Secretary of War is \$5,000, but this bill has nothing to do as to his salary. It merely creates two additional Assistant Secretaries of War, and instead of the salary as carried in the original bill being \$4,500 the Senate amendment changes it to \$5,000.

Mr. DENT. I may have misunderstood the Senate report. If so, I plead guilty in not comparing the report with the bill.

The SPEAKER. Is there objection?

Mr. DYER. I object.

INDUSTRIAL CREDITS.

Mr. KITCHIN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 10608) to provide further for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to provide credits for industries and enterprises in the United States necessary or contributory to the prosecution of the war, and for other purposes; and, pending that, I ask unanimous consent that the time for general debate be controlled equally—one half by the gentleman from Michigan [Mr. FORDNEY] and the other half by myself.

Mr. HAMLIN. Does the gentleman wish to fix any limit on the general debate?

Mr. KITCHIN. As far as the time is concerned, it is my desire to let it run on.

Mr. HAMLIN. Is it probable that the general debate will run to-day?

Mr. KITCHIN. Yes; certainly all of to-day.

The SPEAKER. The gentleman from North Carolina moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 10608, and in the meantime he asks that in the general debate he control one-half of the time and the gentleman from Michigan [Mr. FORDNEY] one-half the time on the other side.

Mr. HAYES. Mr. Speaker, I think the gentleman from Michigan and the gentleman from North Carolina are both in favor of the bill. I want to know who those opposed to the bill are going to get time from.

Mr. KITCHIN. I will say to the gentleman from California that he will be given ample time, as well as those who are opposed to the bill. I am sure the gentleman from Michigan [Mr. FORDNEY] will join me in that statement.

Mr. FORDNEY. I am perfectly willing, and think it just that those who are opposed to the bill have equal time and that they should be alternated with those who are in favor of the bill. I am perfectly willing to divide the time with the gentleman from North Carolina and give the gentleman from California and those opposed to the bill ample time.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The question now is on the motion of the gentleman from North Carolina to go into the Committee of the Whole House on the state of the Union.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union, with Mr. GARRETT of Tennessee in the chair.

The CHAIRMAN. The House is now in Committee of the Whole House on the state of the Union for the consideration of the bill, of which the Clerk will read the title.

The Clerk read as follows:

A bill (H. R. 10608) to provide further for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to provide credits for industries and enterprises in the United States necessary or contributory to the prosecution of the war, and for other purposes.

Mr. KITCHIN. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. The gentleman from North Carolina asks unanimous consent that the first reading of the bill be dispensed with. Is there objection?

There was no objection.

Mr. KITCHIN. Mr. Chairman and gentlemen of the committee, on February 4 of this year I introduced House bill 9499, known as the War Finance Corporation bill. It was introduced as an administration measure, just as it was prepared by the Treasury Department. Since its introduction the Ways and Means Committee has been giving most diligent study and investigation to the provisions of the bill. As a result of our study and deliberation, so many amendments to the original bill were made in committee that the committee thought it better and wiser that a new bill containing such changes should be introduced. Accordingly, I was instructed to introduce House bill 10608, now known as the War Finance Corporation bill. This bill comes before you with the unanimous report of the committee, but it must not be understood that the committee, or any member of it, would sanction such a bill in times of peace. Not one would favor it. We report and present it strictly as a war measure, deemed necessary by the administration and the committee.

The bill, even in its present shape, as well as the original, is so radical, so unprecedented, and, I may say, economically so revolutionary, that the mind of the most radical would hesitate to indorse it at first blush. But the more we studied the bill, the more we investigated its purpose and effect, the more we contemplated the real situation that confronts the country, its wisdom and necessity as an emergency measure appealed to us, and I think the bill as amended will appeal to the judgment of the House and the country.

This situation confronts the Nation: The administration—the war prosecuting branch of the Government—is convinced, and from the evidence before it your committee is convinced, that for the more effective prosecution of the war the time has come when it is absolutely necessary for the Government in some way to go to the rescue of the industries whose operations are necessary or contributory to the prosecution of the war. If it withholds financial help, then the Government must of necessity take over or commandeer the war industries of the country, including, perhaps, many public utilities, power plants, and so forth, and manage and operate them, putting up all the funds for investments and operation. We are decidedly of the opinion that it is better and wiser for the Government to assist to some extent in providing money and credits for such industries than to take them over.

There are three ways by which the Government can render the necessary assistance:

First, by direct advances and loans by the Treasury. No thoughtful man would suggest adoption of this method. Billions of additional bonds and taxes would have to be issued and raised.

Second, by investing the Federal reserve bank system, through the Federal Reserve Board, with the powers and functions necessary to effectuate the purposes of the bill. After due consideration this method did not appeal to our best judgment. To throw upon the Federal reserve system the vast powers and responsibilities contained in the bill or those necessary to carry out the objects of the bill would be a burden too immense to be added to its shoulders. It would be unable to efficiently perform both the large and responsible duties now devolving upon it and the many and important duties proposed in the scheme of this bill. We desired, too, to maintain as far as possible this great system in its integrity without impairing its principal function of promoting and facilitating active commercial transactions.

Everyone really interested in maintaining the Federal Reserve System in its integrity, and confining it to its primary and essential functions as far as possible, will readily see the danger of the vast and extraordinary powers and functions pro-

posed in the bill overcoming and swallowing up the Federal Reserve System itself.

If, therefore, it is unwise to provide the necessary aid directly from the Treasury by raising more taxes and issuing more bonds, and if it is unwise to take care of the war industries through the Federal Reserve System, then, as the third way of providing the needed assistance, there must be created another and a new agency by which such assistance can be rendered. This bill proposes that new agency by creating the War Finance Corporation. At once we all see the necessity of coming to the rescue of the war industries. The Government has gone out and by its continual sale of liberty bonds barred up almost every avenue of credit. It has almost exhausted, and will continue during this war to exhaust, the surplus loanable funds of the banks throughout the country by its continuous flow of issues of certificates of indebtedness. There are outstanding to-day about two billion and a half dollars of certificates of indebtedness payable on or before June 25, 1918. These certificates are issued from time to time during the year and the banks take them up, but under the law they can not be issued for a longer period than a year. Some are for 90 days, some for 4 months, and some for 6 months, and so forth, and the banks are continually appealed to to supply this enormous amount of money for the Government. We can understand very readily how the Government has affected both the money and credit market.

I do not think the necessity for this legislation or some sort of legislation to give relief, can be more clearly expressed than the Secretary of the Treasury did in his testimony before the Committee on Ways and Means. He said:

The Government's borrowings, particularly during the period immediately preceding and following each liberty loan, have tended to preempt the credit facilities of the banks and often to prevent them from giving needed and customary help to quasi-public and private enterprises. Many instances have been brought to the attention of the Secretary of the Treasury and of the Federal Reserve Board where industrial plants, public utilities, power plants, railroads, and others have found difficult, if not impossible, to obtain the necessary advances to enable them to perform vital service in connection with the war because essential credits, ordinarily available to them, are being absorbed by the Government itself.

I will now explain the bill and its provisions. It contains three titles. Title I relates to the War Finance Corporation. Title II relates to the Capital Issues Committee.

Title III relates to Miscellaneous—the saving and repealing clauses, and the penalty clause. It also contains a provision exempting from the stamp tax any note or notes secured by liberty bonds and certificates of indebtedness.

Title I. War Finance Corporation.—The corporation is named by the bill the War Finance Corporation. It is given the ordinary powers of a corporation, to adopt, alter, and use a seal; to sue and be sued; to acquire and lease lands; to make contracts; to appoint and fix compensation of officers, attorneys, agents, employees; to make by-laws, and so forth, necessary to the transaction of its business.

The life of the corporation is 10 years, but it is not authorized to do any business or exercise any powers given to it by the bill after six months after the termination of the war except to wind up its affairs and liquidate its assets. Its principal office is to be in Washington, but it may establish agencies or branch offices in any city or cities in the United States.

It has one stockholder and only one—the United States. Five hundred million dollars is the amount of the capital stock, to be paid in from time to time as called for by the board of directors with the approval of the Secretary of the Treasury.

The management of the corporation is vested in a board of five directors. The Secretary of the Treasury is to be chairman and the four other members are to be appointed by the President and confirmed by the Senate, two for a term of two years and two for a term of four years. We have provided, in order to assure the country that the directorate shall be non-partisan, that not more than three members of the five directors shall be of the same political party. The salary of these directors is not to exceed \$12,000 a year. It is no bar for appointment that one is already an officer of the Government. He can remain such officer and be a director, but his salary as such officer and director, combined, can not exceed the salary fixed for a director; that is, can not exceed \$12,000. It is also provided in the bill that each director shall give his entire time to the business of the corporation, except such time as he devotes to the Government in his other official capacity, and that no director or officer of the corporation shall in any manner, directly or indirectly, participate in the determination of any question affecting his personal interest or the interests of any

corporation, partnership, or association in which he is directly or indirectly interested.

The corporation is authorized to issue bonds in an amount equal to four times the amount of its capital stock paid in and with a maturity of not less than one nor more than five years. The original bill authorized an issue of eight times. Under the original bill \$4,000,000,000 of bonds could be issued and be outstanding at any one time if the total amount of capital stock; that is, the \$500,000,000, had been paid in. In this bill we have limited the total amount of outstanding issues to \$2,000,000,000 when the whole capital stock has been paid in. The amount that can be issued and outstanding at any one time is four times the amount of the capital stock then paid in.

That is, if an installment of only \$100,000,000 is paid in the corporation is authorized to issue and have outstanding only \$400,000,000 of its bonds. If \$250,000,000 of the capital stock is paid in, it is authorized to issue and have outstanding \$1,000,000,000 of bonds, and when the whole \$500,000,000, it can then issue and have outstanding \$2,000,000,000 of bonds—the amount limited. I may here say that the corporation will probably make the larger part of its loans or advances by its bonds instead of money. For instance, a corporation with proper securities applies to the War Finance Corporation for a loan of \$1,000,000. The finance corporation has not the money, and it does not want to go to the trouble and expense of going out in the market and selling its bonds. It will advance to the applicant \$1,000,000 of its bonds, and then the applying corporation will go out and sell or go to the banks and borrow with these bonds pledged as security, as they will be of superior security, the funds needed.

Now, as to the power of the corporation to make loans or advances. Such loans or advances may be divided into three classes:

First, to any bank, banker, or trust company, which shall have made since April 6, 1917, and which shall have outstanding any loan or loans to, or which shall have purchased since such date and own at time of the advance, any bonds or obligations of any person, firm, corporation, or association conducting an established and going business in the United States whose operations shall be necessary or contributory to the prosecution of the war, such advances to be for a period not to exceed five years. It is contemplated that most of the business, most of the loans to the war industries, will go through the banking channels. The advances will, for the most part, be made by the corporation to the banks, which in turn will make loans to the war industries. In this way the corporation will have not only the note or obligation of the borrowing industry and the securities which the bank requires of it, but the note or obligation of the bank and such other securities as the corporation may require of the bank. Thus the bank stands between the corporation and the borrower as an additional protection and making an additional security to the bonds of the corporation, to which I shall later refer.

Take a munition company as an illustration. It needs \$1,000,000 and applies to its bank for it. The bank, not having sufficient funds, takes the company's note and the securities it requires of the company and applies to the corporation. The corporation, if it is satisfied the securities are adequate, will advance to the bank 75 per cent of the loan which the bank makes to the company, but the bank must give its note, secured by the company's note to it and all the securities pledged by the company to the bank.

In cases like the one just given, where the bank gives its note, secured by the obligation of the borrower and the securities he pledges, the corporation is authorized to advance to the bank not to exceed 75 per cent of its loan to the war-industry borrower.

However, the directors are authorized to advance 100 per cent of the bank's loan—the total amount—but when they do that the bank must put up not only its note and the note of the borrower and his securities, but additional securities amounting to at least 33 per cent of the amount of the advance.

The corporation can advance to a bank or banking institution or trust company that has gone out and bought bonds or obligations since the declaration of war of any person, firm, corporation, or association whose operations are necessary or contributory to the prosecution of the war 75 per cent of the market value of such bonds or obligations, but the bank must make its note secured by such bonds or obligations. The corporation is authorized to advance 100 per cent of the market value of such bonds or obligations provided the bank will put up in addition to the securities just mentioned securities amounting to 33 per cent of the advance. Under the class of advances which I have been discussing it will be observed that

the fundamental condition of the advance by the corporation to the bank is that the bank shall aid by its loan an industry necessary or contributory to the prosecution of the war. Such advances can be made for periods not exceeding five years.

Second, the corporation is authorized to make advances for periods not exceeding one year "to any savings bank, banking institution, or trust company in the United States which receives savings deposits, or to any building and loan association in the United States * * * whenever the corporation shall deem such advances to be necessary or contributory to the prosecution of the war or important in the public interest."

It will be noticed that the recipient of such advances need not be a war industry; that is, an industry necessary or contributory to the prosecution of the war, or need not make loans to war industries. If the corporation deems advances to such savings banks, banking institutions, or trust companies, or building and loan associations "important in the public interest," such institutions are eligible to apply for advances. But the note of such savings banks, banking institutions, trust companies, and building and loan associations given for such advances will have to be secured by the pledge of securities the market value of which is equal at least to 133 per cent of the amount of the advance.

These institutions are in a way, however, contributing to the war, because their depositors are withdrawing deposits and buying liberty bonds. They are advancing the Government funds on its certificates of indebtedness.

All of these institutions are injuriously affected by Government issue of bonds and certificates of indebtedness alike. Building and loan associations are affected to some extent like savings banks.

The Government in its continuous issue and sale of bonds, with a rate of interest as high as any saving deposits receive, and in many States much higher, naturally induces depositors to draw out their money and invest in such bonds. The Government is therefore practically in competition with the savings banks. Hundreds of millions have already been drawn out for this purpose, and such withdrawals will continue as long as the Government is forced to sell bonds.

Deposits in savings banks are made with the view of their remaining for months and years. The deposit savings institutions therefore make long-time loans and investments, which the commercial banks do not. Large and unforeseen withdrawals by depositors for investment in bonds are likely to embarrass if not ruin some of the best and safest of these institutions if the corporation is not permitted to come to their rescue to some extent. As I said a moment ago, building and loan associations will be affected somewhat similar to the savings banks.

When my friend from Ohio [Mr. LONGWORTH] suggested to the committee that building and loan associations should be included in this class I believe I was the first one who objected, and asked why should building and loan associations be included. I observed that they were lending money out, and the fellow who was building and had built a house was not putting money in it, he was getting or had gotten money out of it—he was a borrower. But the gentleman from Ohio reminded me that the association would not get along very well if all the members were borrowers; that a majority of the members were not borrowers; and that if the association did not have a greater number of nonborrowers, who put their money in to help the other fellow to build his home, they could have no borrowers and build no homes. He explained how millions of dollars have been and will continue to be withdrawn by the nonborrowing member to be put into liberty bonds.

That jogged my memory of exactly what I did. In the case of the second liberty loan I did not have the cash on hand, and I had been such a good friend of the banks in my community as a borrower that I owed them the limit. So to buy a few thousand dollars of liberty bonds I had to cash in my building and loan stock. Thousands of others, perhaps, did and will do as I did. The committee adopted the suggestion and amendment of the gentleman from Ohio [Mr. LONGWORTH], and, in my opinion, it was the fair thing to do.

I would say that one of the important differences between this bill and the original bill and the Senate bill is that we safeguard advances by the corporation by increasing the interest rate and the amount of security to be pledged. The bill requires the savings institutions and building and loan associations to pay a rate of interest on such advances at least 1 per cent per annum higher than is paid on commercial paper in the Federal reserve district in which the borrowing institution is located. That will have a tendency to bring the money back to the corporation as soon as possible. With such advances they are not supposed to make profits, and they do not become responsible for war-industries loans as do the commercial banks. The advances are

made to them for their benefit to help them—to save them in some cases, perhaps—and not advanced to them to make loans to war industries for the prosecution of the war. We require them, therefore, to pay this 1 per cent per annum higher rate just as we do the persons, firms, or corporations that borrow direct from the corporation in aid of their war-contributing industries. The savings deposit institutions and building and loan associations must secure their notes by securities worth at least 133 per cent of the advances.

Third, this is the class of loans or advances to be made to war industries direct by the corporation, without the intervention of the banks. The corporation is authorized—

in exceptional cases to make advances directly to any person, firm, corporation, or association, conducting an established and going business in the United States, whose operations shall be necessary or contributory to the prosecution of the war (but only for the purpose of conducting such business in the United States and only when such person, firm, corporation, or association is unable to obtain funds through banking channels or from the general public), for periods not exceeding five years.

It will be observed that the advances can only be made on condition that the borrowing person or concern is operating in the United States, that its operation is necessary or contributory to the prosecution of the war, and that it has been unable to get loans through banking channels or the general public. But the total amount of loans or advances that can be outstanding at any one time under this direct loan provision is 16½ per cent, or one-sixth of the capital stock paid in at the time of the advance, plus the amount of bonds which the corporation is then authorized to issue and those outstanding. For instance, say, \$200,000,000 of the capital stock has been paid in; it can then issue four times that much in bonds. It will then have \$200,000,000 capital paid in and an authorization to issued \$800,000,000 in bonds, or a total of \$1,000,000,000. Under the direct loan provision, it would be only authorized to loan and have out at any one time in the aggregate 16½ per cent, or one-sixth of the \$1,000,000,000. The original bill contained no limitation in this respect. I believe my friend from California [Mr. HAYES], who opposes this bill, will admit this provision is a great improvement over the original bill, or the bill the Senate passed.

Mr. HAYES. I admit that.

Mr. KITCHIN. Now, we have another limitation on this provision. This is an emergency measure, and I believe this limit which the committee put in will appeal to the sound business judgment of every man in or outside of this Congress. We provide that the rate of interest which this corporation shall charge when making advances direct under this clause or section must be at least 1 per cent per annum in excess of the rate of discount or interest on 90-day commercial paper prevailing at the Federal reserve bank in the district in which the borrower is located. Now, that will have a tendency to keep the borrowing industries within the banking channels and will also operate something like the graduated interest of the Vreeland-Aldrich Act to cause them to pay their obligations to the corporation as early as possible. There is another limitation put in this provision that I think you will admit is a great deal wiser and better, and certainly more secure, than the original bill. The original bill had no specific security. The board could take any amount of security it wanted, whether 20 per cent, 25 per cent, or 50 per cent. This bill requires that for each of these direct loans by the corporation the borrowing institution shall put up securities worth 133 per cent of the amount of the loan.

Another very important change—

Mr. MEEKER. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. I would rather get through first.

Mr. MEEKER. Just a question right there at that point.

Mr. KITCHIN. Let me get through. The gentleman can save that question. I would like to answer the question, but I will get through in 15 minutes.

We provide in this bill what we believe is an important safeguard to the Federal Reserve System. We prevent, while the original bill authorizes, the Federal reserve banks buying and investing or dealing in the bonds of the corporation. In my opinion the provision in the original bill which permitted the Federal reserve banks to go out and purchase and deal in these bonds, if it should become law, would impair to a considerable extent the strength and virtue of the entire Federal Reserve System. I understand that the Committee on Banking and Currency as a unit agrees with us on that proposition.

We further safeguard the Federal Reserve System by requiring that in the case of discounts of the direct obligations of member banks and rediscount of eligible paper secured by bonds of the corporation that the interest charge shall be not less than 1 per cent per annum in excess of the interest rate on eligible commercial paper of corresponding maturity. That

is to prevent the reserve banks from loading up with so much paper secured by the long-time bonds of the corporation. While the bonds run from one to five years, we require the note of the member bank to be paid, if it is a direct loan, in 15 days; and if it is rediscount paper it must be paid in 90 days.

In other words, the member bank rediscounting at the Federal reserve bank eligible paper secured by the corporation bonds must make it payable in 90 days. If it is a direct note of the bank secured by such bond, it must be payable in 15 days. Such notes can be renewed from time to time, but within 90 days, which is the outside limit, the Federal reserve bank can protect itself by calling upon the member bank to pay. The member bank can go out and sell the corporation bonds if necessary to meet its payment.

Another requirement that was not in the bill as it passed the Senate, or in the original bill, is that before the member bank can get any money from the Federal reserve bank for its paper secured by these bonds it must satisfy the Federal reserve bank that it has not in its possession sufficient commercial paper eligible for discount or rediscount under the regulations of the Federal Reserve Board made under authority of the Federal reserve act. In our opinion, it is best to separate as far as practicable the influence of the corporation over the Federal Reserve System and the Federal reserve banks. It is almost certain—and it is wise that it should be so—that some members of the Federal Reserve Board are going to be members of this directorate; and if we do not hedge it about and safeguard the Federal Reserve System by these limitations, the members of the Federal Reserve Board who will be members of this may fall too much in love with their new companion, overlooking the primary purpose and functions of the Federal Reserve System, and may unwittingly subject the system too much to the interests of the corporation.

The bill as it came to us had no penalties attaching to a director or other officer who violated the law, who embezzled, misappropriated funds, and so forth, and had no penalties for making false entries, and no penalties for the certifying to or making false statements or overvaluations by anyone for the purpose of securing advances. We have penalties, both fines and imprisonment, for such offenses. Another important limitation, in neither the original nor the Senate bill, which we provide is that the corporation can not advance and have outstanding at any one time to any one person, firm, corporation, or association an amount in excess of 10 per cent of its—the finance corporation's—capital stock. This is similar to the national-bank-act requirements. Before concluding my explanations of this title, let me say that we have thrown another safeguard around the direct advances by the corporation by requiring a quarterly report to the House and Senate, detailing the amount advanced, the names and addresses of the recipients of the advances, the time, and the security accepted.

Title II. Capital Issues Committee.—By this title a committee, called the Capital Issues Committee, is created, separate and distinct from the War Finance Corporation. This is another difference between this and the original bill.

Mr. FESS. Before the gentleman leaves the first title, will he submit to one question?

Mr. KITCHIN. I wish the gentleman would just keep that in his mind. I am going to get through with this in about 5 minutes, and then for 20 minutes I will be glad to answer questions.

Mr. FESS. The gentleman is leaving the first title.

Mr. KITCHIN. I know, but I want to get through with both, and then return and answer questions.

The original bill gave the directors of the War Finance Corporation the absolute power to grant or refuse a license for the issue or sale or offering for sale or subscription of any issue of securities by any individual, firm, corporation, or association, if the total aggregate issue was in excess of \$100,000. In other words, an industrial corporation, if its aggregate issue was in excess of \$100,000, could not put any of its securities on the market for sale; and if any person should buy them, neither could he resell or put them upon the market for sale without first getting a license from this corporation, under penalty of fine and imprisonment. This title of the bill which we present to the House—and it is practically the same as the provision of the Senate bill as it finally passed the Senate—takes from the corporation any power or authority over the issuing of securities, and creates a Capital Issues Committee, to consist of seven members, not more than four of whom shall be of the same political party, to be appointed by the President by and with the advice and consent of the Senate. This Capital Issues Committee has no power to grant or refuse licenses for the issuing of securities or the offering for sale of securities. The only power the Capital Issues Committee has, which for all

practical, legitimate purposes is almost as effective as the mandatory provisions of the original bill, is this: When securities are issued or offered for sale, if the aggregate of the issues is in excess of \$100,000, its only power is "to investigate, pass upon, and determine" whether or not the issue and sale or offer for sale or subscription of such securities is compatible with the public interest. I think, gentlemen, that should be the "national interest" instead of the "public interest," and your committee will, at the proper time, propose an amendment accordingly.

For instance, suppose a corporation or firm of the gentleman from Missouri [Mr. MEEKER] wanted to issue a million dollars of securities and offer them for sale. It would submit them to this committee with all the facts with respect to the purpose and use to be made of them or their proceeds and the necessity of the issue. The committee would make investigation, and it would determine, not whether the issue or sale should be made, but whether the issuing or offering them for sale was compatible with the national interest. If they decide that it is not compatible with the national interest, they will not put any mark on these securities. If they decide that it is compatible, I imagine that their plan will be to approve their issue and sale as compatible with the national interest and permit the corporation or company to publish and, if it is desired, to print on the securities such approval. It will have almost the same effect as if the committee was empowered to grant or refuse a license. If they should decide that the issue or sale of such securities was not compatible with the national interest, they would simply declare that their issue or sale was not compatible with the national interest, and the power of the committee, so far as such securities are concerned, would be at an end.

The corporation or company could proceed to issue and sell its securities, if it could get a purchaser, without violating any law or incurring any penalty. The matter would be left to the patriotism and judgment of the company and to the patriotism and judgment of the purchasers. However, it would be most difficult to put on the market or sell privately, especially to security dealers, securities, the issue and sale of which had been condemned by this committee as incompatible with the national interest.

Just a moment in reference to the qualifications of the members of this committee. Like the membership of the board of directors of the War Finance Corporation, it is no bar to appointment that one is already an officer of the Government. The bill requires that at least three members of the Capital Issues Committee shall be members of the Federal Reserve Board. That provision was put in because there is at present, and has been for a month or more, in the Treasury Department a volunteer capital issues committee, and three members of the Federal Reserve Board are members of such committee and are fairly acquainted with the work to be done by and the duties of the Capital Issues Committee created by this bill. They have all the machinery and are organized in the same way that this committee will be organized. It was the thought of the committee and of the Senate, according to the bill it passed, and also of the Treasury Department, that these three members should be retained as members of this new Capital Issues Committee.

The salary, if the members are not members of the Federal Reserve Board, is fixed at \$7,500, but if a member receives any other compensation from any office or employment under the United States, the amount so received is to be deducted from his salary. If a member receives more than \$7,500 in some other capacity as an officer or employee of the Government, he should receive no salary as a member of the committee.

Title III. Miscellaneous.—This title contains penalties for violations of the provisions of the act not provided for in section 18. It contains also a provision to the effect that no stamp tax shall be required on any note secured by a pledge of liberty bonds or certificates of indebtedness of the Government, provided the par value of such Government obligations equals the amount of such note.

I believe that that provision will meet with universal approval in the House and in the country.

There is another provision in this title of much importance. You see it in the papers, you heard it discussed in the Senate, and it has been discussed here—as to whether or not the corporation bonds, the two billions provided in the House bill and the four billions provided in the Senate bill, would be a moral obligation on the part of the Government, and whether or not the Government should not guarantee such bonds. Some have taken the position that the United States should be bound to stand behind every one of these bonds, though not expressly guaranteeing them. Others take the position that if the United States Government is morally behind these bonds to be issued

by the corporation it ought to expressly by this act guarantee their payment. If the United States is to guarantee their payment, it might as well issue its own bonds and lend the money to the war industries. So that there might be no question about it, so that a person would know that he was getting corporation bonds and not Government bonds, so that everyone would know that the United States was and should be in no way liable, implied or expressed, we added a section to the bill, which specifically provides:

That the United States shall not be liable for the payment of any bond or other obligation or the interest thereon issued or incurred by the corporation, nor shall it incur any liability in respect of any act or omission of the corporation.

But I believe these bonds are going to be practically as good as the Government bonds. Of course, a great deal will depend upon the board of directors. If they are strong, courageous, honest business men, with good judgment—and I am confident it will be that class of men—these bonds will be practically as safe and as good as Government bonds; that is, if the House bill passes.

Every safeguard is thrown around them. The Government, of course, could possibly stand to lose \$500,000,000, which is its capital stock, or whatever part of it is paid in. That amount will be back of these bonds. We so provide. But when you come to think about these war industries, they are, in practically every case, corporations or companies of large assets, owned and controlled by business men of large affairs and big wealth. I sometimes fear that such fellows will get too much of the corporation advances and the smaller fellows too little. Behind every advance made and every bond issued, so far as five-sixths of the business is concerned, which will go through the banks, are the notes of the borrowing companies or corporations and all the securities which the lending banks require of them, and in addition, the notes of the banks and such other securities as the finance corporation may require to make absolutely safe its advances to the banks. The bonds have a floating lien not only upon all these assets but upon the capital stock paid in by the Government. As to the direct loans by the corporation under section 9 they are limited in amount, as I have before explained, to sixteen and two-thirds of the capital paid in plus the aggregate amount of bonds authorized to be issued and outstanding at the time of the advance, which, if the full amount of capital is paid in and the full amount of bonds authorized by the bill is issued, can not exceed \$416,666,666. Such direct advances must have behind them securities worth 133 per cent of their amount. The Government's \$500,000,000 capital stock is an additional asset to which the floating lien attaches. It seems, therefore, that in every business view the corporation's bonds will be absolutely good and safe and amply secured.

As to the direct advances by the corporation, we have thrown another check or safeguard around them, to which I briefly alluded a few moments ago. We have a provision in the bill, not in the original bill, that all of the advances made by this corporation, direct to any person, firm, association, or corporation, must be reported to the Clerk of the House and the Secretary of the Senate by the corporation every three months. In that report it must give the name and the address and the amount of the advance, the nature of the securities, and the terms of the loan made to each individual, firm, or corporation. My own committee differs with me in respect to this provision, and I hope now that it may be persuaded to modify that. I strongly favor and urge now, as I have urged, that the corporation should be made to report quarterly; but I think it ought to be modified in this way: The report should inform Congress and the people each quarter the amount outstanding at the time of the report, and outstanding on the first day of each month, up to the time of the report, how many bonds it had issued and were outstanding them, and how many were outstanding on the first of each month prior to the report, and the nature and amount of the securities taken for the advances, and the average lengths of time for which the loans were made. I would require such reports as to each class of loans or advances. I think it is unwise, as the provision now stands, to require the name of the company, corporation, or individual, and the amount and terms of the advances made to such company, corporation, or individual, and the securities given. If we do, we will give one competitor a great advantage over another. Take two concerns that are competing, making and selling to the Government and the allies the same article. One, we will say, is able to get his money through the banks. No report is made. Neither his competitor nor anyone knows the amount, nature, or terms of his loan or securities given. The other has the banks combined against him, as has frequently occurred in cases of large competition, or without such combination is unable to get funds from the banks.

But he is producing necessary munitions or other articles for the war. It is to the interest of the Government that it continue business and that there be competition in the production of these articles; he must come to the War Finance Corporation for aid. The corporation under the present provision must make a quarterly report and give the name of that particular concern, and the amount of money borrowed, the terms of the loan, and the securities that it had to put up, and every detail of the transaction. All can readily see what a great advantage such a report would give its competitor. It would also have the effect of impairing or destroying the credit of the borrower.

I think I am through with the explanation of the bill, and will now be glad to answer any questions of gentlemen.

Mr. MEEKER. In section 10, when you are discussing the amount that shall not exceed 10 per cent of the capital stock that shall go to any corporation, does that include subsidiary organizations?

Mr. KITCHIN. This corporation has \$500,000,000 capital. It never can make a loan to any one concern to exceed 10 per cent of that. I think the spirit and intent of this section is that in case of a corporation owning a majority of the stock or controlling interest in another corporation, the two would be regarded as one concern.

Mr. DEMPSEY. If the gentleman will permit, under section 7 the provision is made for empowering advances to different banking corporations or concerns doing a commercial business. Under section 8 it empowers advances to certain financial corporations, including savings banks. Of course, there is a difference made between two kinds of business, commercial and saving. Now, under section 8, empowering the corporation to loan to savings banks, there is a limitation made upon the rate of interest?

Mr. KITCHIN. Yes.

Mr. DEMPSEY. But there is none under section 7 making loans to banking institutions or commercial business. What is the difference made between the two? Under section 7, relating to commercial banks, there is no provision made in regard to the interest rate, but under section 8, relative to savings banks, there is.

Mr. KITCHIN. In section 7 advances are made to the banking institutions, which make the loans to industries whose operations are necessary or contributory to the war. The banks thus assume, with such industries, the payment to the corporation of its advances. They would not take the risk of assuming liability and the trouble and expense of handling such loans if it had to pay the extra 1 per cent. The purpose of the advances to the banks under section 7 is not to help the banks, not for their benefit, but to aid and benefit the war industries and at the same time give to the corporations' advances the banks' obligations as additional security for their payment.

But the advances by the corporation to the savings banks are for the direct benefit of such banks, to help them, just as in the case of advances made under section 9 by the corporation to the war industries, to help them. Under section 9 such direct advances bear the same extra 1 per cent as do the savings banks. The savings banks are not required, as a condition precedent, in order to secure advances, that it shall use them for the purpose of loaning to or aiding an industry necessary or contributory to the war. It is not called upon to assume liability for loans for the benefit of others, as in the case of banks under section 8.

Mr. FESS. What change, if any, in the original bill did the committee make in reference to the issuance of Federal reserve notes and exchange for these bonds?

Mr. KITCHIN. The gentleman will understand that the bill does not authorize issuing Federal reserve notes in exchange for the bonds of the corporation; but such notes can be issued on paper eligible for discount or rediscount, secured by such bonds, with the same maturities as is provided under regulations of the Federal Reserve Board under the reserve act.

The rate of interest which a member bank must pay in discounting or rediscounting paper with the Federal reserve bank, secured by such bonds, is not less than 1 per cent per annum in excess of the prevailing rate at such Federal reserve bank.

Mr. FESS. That is a matter of precaution?

Mr. KITCHIN. Yes; that is a matter of precaution and protection to the reserve system.

Mr. FESS. What I wanted to know specifically was whether the circulation per capita under this organization will be increased, and to what extent?

Mr. KITCHIN. You mean the real currency?

Mr. FESS. Yes; the real currency.

Mr. KITCHIN. I think there will be very little currency issued on paper secured by these bonds. In this connection

I would like to ask the gentleman from Virginia [Mr. GLASS], who is chairman of the Committee on Banking and Currency, what is the difference between a Federal reserve bank note and a Federal reserve note? Is it that the Federal reserve bank note must be secured by a Government bond?

Mr. GLASS. The Federal reserve bank note is issued in pursuance of that bank's ownership of United States bonds.

Mr. KITCHIN. And it must have that behind it?

Mr. GLASS. Yes.

Mr. KITCHIN. And the Federal reserve note is only required to have 40 per cent gold reserve behind it in addition to the commercial paper back of the note of the member bank as collateral.

Mr. FESS. That is what I am trying to get at, whether the Federal reserve bank, with the approval of the Federal Reserve Board, can receive these corporation bonds and issue any amount of Federal reserve notes?

Mr. KITCHIN. Oh, no; but if it had the power, it would hardly do that with the extra 1 per cent per annum interest provision. I think under provisions of this bill the Federal reserve bank, with the approval of the Federal Reserve Board, can have issued notes by putting up its note or eligible paper, secured by the bonds of the corporation, just as it could do with the liberty bonds. Whatever you can do with a liberty bond you can do with this bond with respect to Federal reserve bank notes or Federal reserve notes.

Mr. FESS. That is one of the things that is fundamental in this?

Mr. KITCHIN. Yes.

Mr. FESS. There is another question I want to ask—

Mr. CANNON. If the gentleman will allow me, in one case the Government is behind it and in the other case the Government is not liable?

Mr. KITCHIN. Yes; as to the respective bonds; but as to the bank reserve notes, of course the Federal reserve bank will be behind it and the member bank will be behind it, and other securities will be behind it, and the corporation bond will be behind such Federal reserve bank notes.

Mr. FESS. What authority is given to this corporation to use its money for the purchase of liberty bonds?

Mr. KITCHIN. I did not quite catch that.

Mr. FESS. Is the authority in the bill given to the corporation to purchase liberty bonds?

Mr. KITCHIN. Yes; it can purchase any bonds issued or converted by the Government since September 24, 1917, the date the last bond act became a law.

Mr. FESS. I would like to have the opinion of the chairman—

Mr. KITCHIN. It is the opinion of the Federal Reserve Board and of the Treasury Department, as I understand, that this provision will have a stabilizing influence on the market value of liberty bonds.

Mr. FESS. Now, in view of the fact that the chairman has made a very lucid and comprehensive statement of the bill, I should like to have his opinion on what amount of inflation, if any, this bill will have the effect of producing upon the currency?

Mr. KITCHIN. Of course, that is hard to say. It would depend largely upon the administration of the act by the directors, and also it would depend largely, so far as the inflation of the actual currency is concerned, on the Federal Reserve Board. They need not issue a dollar of new currency on the basis of the corporation bonds. There is no right given to a member bank which holds these bonds to go and demand it as a matter of right. I think the Federal Reserve Board has got its eye on that proposition, and the same thought is running through the minds of a majority of the board as is running in the gentleman's mind and through mine. I do not anticipate much inflation of the actual currency. There will be an expansion of credit. There must be, because we have not money enough, if we had all the actual money in the world, to carry on the transactions that the Government must carry on during this war.

Mr. CALDWELL. I was going to ask the gentleman if there was a provision in the bill to prohibit the directors of the corporation from loaning the corporate money to concerns in which they are interested?

Mr. KITCHIN. No. Personally, I think there should be in this case and in every case of boards and commissions and agencies dealing with or advising on the expenditures of Government funds. But we put in this provision—not in the original bill—that no director or officer of this corporation can, directly or indirectly, participate in any loan to any partnership or firm or corporation or association in which he is directly or indirectly interested. If he does do that he is guilty of an offense punishable by fine or imprisonment, or both.

Mr. CALDWELL. I did not see it in the original bill.

Mr. KITCHIN. You understand the Finance Corporation through its directors can make advances to a firm or corporation in which a director is interested, provided such interested director does not, directly or indirectly, participate in the loan.

Mr. CALDWELL. It is the same as in the case of a bank. The bank can not loan to itself. You have not a provision like that. Do you not think it is wise?

Mr. KITCHIN. I think the principle of the gentleman's suggestion should have been incorporated in several other bills that have become law, but the House and Senate did not seem to think so, and the advisers of the administration did not think so, taking the position that such a provision would be a great obstacle to the most efficient administration of the War and Navy Departments during the war. Under the provision in question not only is the interested director forbidden to vote upon the question of making the loan, but he is not even permitted quietly to suggest that his firm or corporation is worthy of the loan or to express a hope to the board that the loan will be made, and so forth. He can not participate in any proceedings in any way with respect to the loan, "directly or indirectly."

Mr. CALDWELL. If it so happens that the directors are heads of a number of institutions, three might sit down and loan \$50,000,000 to the one, and the other three might sit down and loan \$50,000,000 to the other, and so on; but of course the President would not be expected to appoint that class of men—\$50,000,000 is a lot of money.

Mr. KITCHIN. Suppose the President did appoint that class of men, which, of course, he would not. I imagine that if the prosecuting attorney had one-half the legal ability and astuteness that the gentleman has, he could convict them all for collusion in participating in such a transaction.

Mr. GARNER. Also, the President can remove them at any time.

Mr. KITCHIN. The President can remove them at any time. That is one of the provisions of the bill to which I have failed to call attention. The President can at any time remove any of the directors of this corporation, or members of the Capital Issues Committee, or any officer.

Now, the gentleman from Pennsylvania (Mr. McFADDEN) has been on his feet for some time, and I yield to him.

Mr. McFADDEN. I want to ask the chairman of the committee two or three questions.

Mr. KITCHIN. Can not the gentleman put all his questions in one, because I am going to stop in a few minutes, when my time will be up?

Mr. McFADDEN. Following the question of the gentleman from Ohio (Mr. Fess) a little further in regard to the issuance of Federal reserve notes, is the gentleman of the opinion that the deposit by member banks of notes secured by these corporation securities with any one of the 12 reserve banks would be legal reserves?

Mr. KITCHIN. I do not think so. Let me ask the gentleman there: In your opinion, can or can not the Federal reserve bank take a note of a member bank secured by liberty bonds, not bearing the circulation privilege—and none of them do bear it—and issue Federal reserve notes on them? I do not refer to Federal reserve bank notes, but Federal reserve notes.

Mr. McFADDEN. No privilege is granted that is not given to United States bonds in this respect, but I am not speaking of the notes, but of legal reserve.

Mr. KITCHIN. I am asking for your opinion and information now.

Mr. McFADDEN. I was speaking particularly of a member bank taking a note from a corporation. The member bank takes that note and deposits it in the Federal reserve bank of its district and receives credit for it. Is there any difference between that credit and the deposit of gold? The bank gets credit on which it can grant loans.

Mr. KITCHIN. As a bank credit against which checks can be drawn? No. But such a note is supposed to be paid in gold or money when due, otherwise the bank would not give the credit against it. I do not know as much about the Federal Reserve System as I ought. I do not know half as much about it as the gentleman from Pennsylvania [Mr. McFADDEN] does, for he is a member of the Banking and Currency Committee and has given great detailed study to it; but my understanding of the way the Federal reserve notes are issued is that they are issued to a Federal reserve bank. The reserve bank must put up the notes and eligible paper as security, and also there must be behind them 40 per cent in gold before any Federal reserve note can be issued.

Mr. McFADDEN. That is true.

Mr. KITCHIN. In other words, if the amount of a Federal reserve note is to be \$100, there must be put up \$40 in gold as a

reserve against it. And the bank that is going to get these reserve notes must put up its note and back it with eligible paper. That is as I understand the way the Federal reserve notes are issued, and the Federal reserve bank notes are issued on deposit of Government bonds as collateral to the bank note.

Mr. McFADDEN. That is true.

Mr. KITCHIN. If that is so, I think I can answer all of the gentleman's questions in one. If that be true, I do not think under this bill any man need be alarmed at all about the issuing of Federal reserve notes to the extent of unreasonable inflation.

Mr. McFADDEN. That is true so far as the actual issuance of Federal reserve notes is concerned.

Mr. KITCHIN. I thought that was what the gentleman was getting at.

Mr. McFADDEN. But a member bank deposits a customer's note, secured by these War Finance Corporation securities, with the Federal reserve bank, and receives credit—

Mr. KITCHIN. Yes. The member bank, of course, can destroy itself if it wants to. The Federal reserve bank, perhaps, can destroy itself if it wants to, and the Federal Reserve Board can destroy the system if it wants to, but no new money or Federal reserve notes can get out anywhere until the Federal Reserve Board orders it. It passes on the security. The Federal reserve bank passes on the security. The member bank that makes the first loan on the security passes on it. The Federal Reserve Board finally must pass upon the wisdom and necessity of further note issues. I do not see how we are in much danger of getting unreasonable inflation—

Mr. McFADDEN. In this way, that the member bank—

Mr. KITCHIN. You are going to have an expansion of credit, of course.

Mr. McFADDEN. The Federal reserve member banks under the law are required to keep a 7 per cent reserve on deposits. In other words, with a \$7,000 balance at the Federal reserve bank it can loan \$100,000, or increase its deposits to that extent. The deposit of the note of the member bank at the Federal reserve bank is just the same as if they deposited money or gold. There is no difference between this kind of credit and the kind of credit established by the deposit of gold.

Mr. KITCHIN. If a man has the security which is supposed to get the money or gold when due to continue the credit; yes.

Mr. McFADDEN. The danger of inflation is not with the issuance of Federal reserve notes, but through the inflation of credit, which is the same thing.

Mr. KITCHIN. I thought the gentleman was heretofore referring to inflations by issue of Federal reserve notes, because I know that was in my mind when I first studied the bill, and it was in the gentleman's mind first, because we discussed it.

Mr. McFADDEN. I should like to ask the gentleman one other question.

Mr. KITCHIN. Certainly.

Mr. McFADDEN. The gentleman said, during his very fair statement of the bill, that he could not imagine anyone would advocate the loaning of this money on the part of the Government direct to banks and industrial institutions. That is, if they did, it would require the immediate sale of \$4,000,000,000 worth of Liberty bonds.

Mr. KITCHIN. I said I did not believe any man would advocate or favor the Government coming to the rescue of the war industries direct from the Treasury, and that sooner or later it would require, if you are going to lend \$4,000,000,000, as provided in the original bill, issuing bonds to that amount or greatly increasing taxation.

Mr. McFADDEN. Then the gentleman admits that \$4,000,000,000 is to be raised from this source by the creation of this law?

Mr. KITCHIN. No. I said that under the original bill \$4,000,000,000 in bonds would be issued, but that we had limited it to \$2,000,000,000, and if the Government had to do it directly the Government would have to issue \$2,000,000,000 of bonds or raise that much additional by taxation. It may later on develop that it will take \$4,000,000,000, but the thought of the committee was that it ought to cut to \$2,000,000,000; that we should wait and see how this bill is going to operate; that if Congress is satisfied with the operation and conduct of the business and it later is shown that the \$4,000,000,000 is required, Congress could then make the authorization. The Treasury Department is anxious, and says it is necessary, to increase this limit to \$4,000,000,000. Your committee said to it that when the corporation issues bonds up to \$1,000,000,000 or \$1,500,000,000, and from the reports sent to Congress and upon investigation Congress is satisfied that the business of the corporation has been managed wisely and in accordance with the act, there will be no trouble in getting the authority to issue more of these bonds.

Mr. LONGWORTH. The gentleman will recall that Mr. Warburg, while he said that it would be advisable to have the limit placed at \$4,000,000,000, said that he did not expect anything like that would ever be issued.

Mr. KITCHIN. Yes; that is true.

Mr. McFADDEN. The gentleman said that a large percentage of the advances would come from the banks—national banks, State banks, and trust companies?

Mr. KITCHIN. Yes; that is, the banks will handle, or are expected to handle, most of the loans to the war industries and receive most of the advances from the corporation. The authors of the bill, the Secretary of the Treasury and Mr. Warburg, who appeared before our committee, said that the primary object was to require practically all of the business of the corporation to go through the banking channels, and that in exceptional cases only would advances be made direct by the corporation.

Mr. McFADDEN. That being the case, is not the burden still on the banks?

Mr. KITCHIN. Yes; in the sense I have just explained.

Mr. McFADDEN. Then, why create an institution of this kind?

Mr. KITCHIN. The burden is not on the banks in that sense. The gentleman's proposition is to burden the Federal Reserve System with the whole burden of the powers and responsibilities and duties contained in this bill. The benefits or burdens, if any, of this bill apply to State banks, savings banks, trust companies, and all kinds of banking institutions.

Mr. McFADDEN. Will not the sale of these bonds come into competition with the sale of Liberty bonds?

Mr. KITCHIN. I think so, to some extent. I regard that as one of the dangers in the operation of this bill. I am afraid that they will compete with the Government bonds to a larger extent than does the Secretary of the Treasury. He said that there might be some danger. This matter necessarily must be left to the good judgment and the wisdom of the directorate and the Secretary, who is chairman of the board of directors. I feel confident they will arrange it so that they will not measurably handicap the sale of Government bonds.

Mr. LONGWORTH. May I suggest that the rate of interest must be subject to the approval of the Secretary of the Treasury?

Mr. KITCHIN. Yes; and properly so.

Mr. McFADDEN. I want to call the attention of the gentleman to the fact that recently the Farm Loan Board were unable to sell their securities and had to come to the United States Treasury for help.

Mr. GLASS. If the gentleman from North Carolina will yield, that statement needs to be modified somewhat; they thought that they could not sell them, but, as a matter of fact, they have not yet come to the United States Treasury for help.

Mr. MADDEN. But they have got the authority.

Mr. DENISON. Will the gentleman yield?

Mr. KITCHIN. I will.

Mr. DENISON. I want to ask the chairman if the theory of the bill is that this corporation is to be self-sustaining?

Mr. KITCHIN. Yes; and there may be a little profit in it. We provide that its net earnings may be liquidated and put into Government bonds, and so forth.

Mr. DENISON. How about the salaries, and so forth? Are they to be paid by the corporation?

Mr. KITCHIN. Yes; but the salaries of the Capital Issues Committee, which is entirely separate from the corporation under our bill, will be paid by the Government.

Mr. DENISON. Is there any provision in the bill about the limits of this corporation?

Mr. KITCHIN. I am glad the gentleman has asked about that. I may have overlooked that in my explanation of the details of the bill. The life of the corporation is 10 years; but it can not do any business, except winding up its affairs and liquidating its assets, after six months after the termination of the war, the time of such termination to be proclaimed by the President. In other words, it can make no more loans, issue no more bonds, after six months following the termination of the war. The directors must then begin to wind up its business, liquidate its assets, and turn any net earnings or surplus over to the Treasury of the United States.

Mr. MOORE of Pennsylvania. But the war corporation is authorized to last for 10 years.

Mr. KITCHIN. Yes.

Mr. LONGWORTH. Their functions are confined to the period of the war and six months thereafter, except as to the liquidation of assets?

Mr. KITCHIN. Yes.

Mr. DENISON. In the consideration of the bill did the chairman discover any sentiment at all in favor of a permanent institution of this kind?

Mr. KITCHIN. No; it is purely a war measure, and I am sure no member of our committee would vote for the bill except as a necessary war measure.

Mr. CANNON. Are the obligations of this corporation which is about to be organized subject to taxation, State or Federal?

Mr. KITCHIN. They are subject to the taxation that the liberty bonds issued under the act of September 24, 1917, are subject to—that is, estate tax, surtaxes, and excess-profits taxes, with the same exemption with respect to the \$5,000 which the gentleman had put into the last liberty bond act.

Mr. CANNON. That answers the question.

Mr. MOORE of Pennsylvania. Is not that one of the reasons why it is expected that these bonds will sell?

Mr. KITCHIN. That is one of the inducements for a person to buy.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. KNUTSON. What kind of exceptional cases did the committee have in mind when it framed section 9?

Mr. KITCHIN. War industries which in many cases included public-utilities companies and power plants when they show that they can not get the money through the banks or general public.

Mr. KNUTSON. If they can not get the money through the banks, they are questionable loans, are they not?

Mr. KITCHIN. Oh, no; not necessarily so. They may be most solvent and worthy of credit, but the banks, with such demand upon them by the Government to buy certificates of indebtedness and to furnish money to customers to buy liberty bonds, may not have the necessary funds.

Mr. KNUTSON. Why should they not be compelled to furnish just as much security as those who make their loans through the banks?

Mr. LONGWORTH. They have to furnish more.

Mr. KITCHIN. They have to furnish equally as much securities—securities equal to 133 per cent—if the loan must be given. I think the gentleman is looking at the original bill.

Mr. KNUTSON. That overcomes, then, the objection that I had.

Mr. JOHNSON of Washington. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. JOHNSON of Washington. I understood the gentleman to say that this bill contemplated taking care of all banks alike—that is, Federal, State, and private banks.

Mr. KITCHIN. No; not taking care of all the banks, but to make advances to banks, whether State or national, when they make loans to industries contributing to the prosecution of the war.

Mr. JOHNSON of Washington. I would like to call the gentleman's attention to what is now happening. A prominent banker states that he has a communication from the auditor of the United States Emergency Fleet Corporation to the effect that they will discontinue carrying a certain trustee account unless the bank becomes a member of the Federal Reserve System. This is a large State bank handling money on account of shipbuilding.

Mr. KITCHIN. I appreciate what the gentleman says. If that State bank is sound and safe and perfectly worthy of the deposit, I think the auditor referred to ought to be rebuked for trying to coerce by such a method or threat this bank into the reserve system.

Mr. JOHNSON of Washington. And the bank says it can not go into the Federal Reserve System.

Mr. KITCHIN. Yes. This corporation under this bill makes absolutely no distinction between State banks and banks that are members of the Federal Reserve System.

Mr. JOHNSON of Washington. And it would rise above the Federal Reserve System?

Mr. KITCHIN. Yes.

Mr. McKENZIE. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. McKENZIE. The gentleman was asked a question by some one here as to whether or not this law would interfere with the sale of liberty bonds, and I think he answered that that might possibly be true.

Mr. KITCHIN. Yes.

Mr. McKENZIE. It has been my understanding that one of the purposes of this law is to control credits in order that the Government may be assured that it can sell its bonds without selling them at a high rate of interest.

Mr. KITCHIN. The gentleman is right. That is one of the primary objects to be accomplished by the Capital Issue Committee title of the bill.

Mr. ANDERSON. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. ANDERSON. Section 9 of the bill provides for the direct loans?

Mr. KITCHIN. Yes.

Mr. ANDERSON. What I want to ask the gentleman is this: Is the language used in this and other sections touching those eligible for advances, or the character of advances possible under the bill, intended to exclude a going agricultural enterprise?

Mr. KITCHIN. No; not all. I can conceive of an established agricultural industry that is necessary and contributory to the war, and it would be amenable to the provisions of this bill. That is, it would come within the provisions that make it eligible to apply for loans from the corporation or from the banks.

Mr. ANDERSON. It struck me so under the language, and that is the reason I asked the question.

Mr. DOWELL. Would that apply to the individual?

Mr. KITCHIN. Yes; the individual would come under the provisions if he was engaged in an industry necessary or contributory to the war, and we can all conceive of many kinds of agricultural industries necessary or contributory to the war, but generally one engaged in agriculture can get the necessary funds from his local banks. I think, too, a reclamation or an irrigation association that could show that it was necessary and contributory to the prosecution of the war, and that it could not get the necessary funds elsewhere, and could put up the proper security and comply with the other terms, would be just as eligible to apply for that loan as the Du Pont Powder Co.

Mr. MOORE of Pennsylvania. If the gentlemen will look on pages 69 and 70 of the hearings, they will find that the Secretary of the Treasury answered that question.

Mr. KITCHIN. I thought that the Secretary of the Treasury answered it.

Mr. REED. Liberty bonds are quoted now, or have been quoted, below par?

Mr. KITCHIN. Yes, sir.

Mr. REED. And the idea of this is that this bill will stabilize them?

Mr. KITCHIN. The provision whereby the corporation can purchase such bonds will have a tendency to stabilize them.

Mr. REED. That never contemplates the original purchase or new issues, but those just thrown on the market?

Mr. KITCHIN. But the corporation would have the right to subscribe for original issue of bonds. However, it will deal, for the most part if not all, as the gentleman suggests. As to bonds being below par, there are just a few millions that have been offered for sale—just a limited few, not anything like \$100,000,000 worth—and, of course, they are quoted. But I have never seen a person yet that had a bond that would take less than par for it. I have asked several parties if they were ready to sell their bonds at less than par; they replied that they were not. I have never found anyone willing to do it, and I doubt if this quoted market value of the bonds is really a bona fide market value.

Mr. REED. They place them with the broker and get bids at these prices?

Mr. KITCHIN. Yes.

Mr. STERLING of Illinois. I think the gentleman did not understand the question asked by the gentleman from West Virginia [Mr. REED]. As I understood him, he asked the question whether or not this corporation could buy Government bonds when they were originally issued or whether they were confined to bonds of later issue.

Mr. KITCHIN. Yes; it could subscribe for bonds as originally issued.

Mr. MONDELL. During his illuminating discussion of the bill the gentleman called attention to the importance of the personnel of the organizations which the bill provides. He emphasized the importance of the personnel being of a character to command the respect and the good judgment of the country, and his committee has very wisely provided that not over three of the members of the corporation and four of the members of the committee should be of one political party.

I wanted to know how the committee views that provision. Was that viewed by the committee as merely a matter of persiflage and verbal camouflage, or is it considered a real provision in the bill which the committee hopes and expects will be carried out in good faith and honestly, so that the business and

the corporation will really represent the views of the country economically and politically?

Mr. KITCHIN. Well, after the manner of answering questions in the House of Commons, I will say to the latter part of the gentleman's question, I answer in the affirmative. [Laughter.]

Mr. MONDELL. Then the gentleman is more hopeful of the future in this particular respect than he has reason to be gratified at the experience of the past?

Mr. KITCHIN. If the gentleman take the commissions and boards that have been appointed under Taft's administration or the Wilson administration, where it was intended by the law they should be nonpartisan, and it was specified in the act that not more than so many of a political party should be appointed, he will find that such requirements have been carried out very fairly under both administrations.

Mr. MONDELL. If the gentleman will accept an amendment striking out the administration which he last referred to, I will vote for his proposition. But the gentleman does believe—

Mr. KITCHIN. Your suggestion is out of order. [Laughter.]

Mr. MONDELL. The gentleman does believe, personally, that it is important that a bill of this kind should be carried out in good faith?

Mr. KITCHIN. I do. Take the Federal Trade Commission and the Federal Reserve Board, appointed by Mr. Wilson, and if I wanted to bet—and I never did bet, for if I did, I would lose [laughter]—here is one bet that I would win, that the majority on both of those commissions are of a party opposite to that of the administration.

Mr. MONDELL. On what information does the gentleman base that statement?

Mr. SMITH of Michigan. What is the objection to the Government being responsible for those bonds?

Mr. KITCHIN. If it is going to be responsible, why not issue its own bonds?

Mr. SMITH of Michigan. There are two reasons why the Government should. In the first place, they are competing with Government bonds, and, in the next place, it is for the benefit of the Government solely and entirely. And another thing—

Mr. KITCHIN. I will say to the gentleman that I think it would be unfortunate for the Government to do it, and I would not favor this proposition at all if the Government had to guarantee all these bonds. I should say, if the Government is to be responsible, it would be the wise thing for it to issue and sell its own bonds to finance direct the industries necessary or contributory to the prosecution of the war. Then there would be no competition in sale of bonds and no question as to them. All would be alike.

Mr. SMITH of Michigan. We are going out very soon to help sell these bonds, and these questions will be asked.

Mr. KITCHIN. The gentleman can just tell them that the bill itself declares specifically and expressly that the Government is not responsible for a penny of the principal or interest on these bonds or for any act of commission or omission of any of the directors or officers of this corporation. The Government has already put into it, or shall have put into it, \$500,000,000 when the capital stock is fully paid in, as part of the assets as security to the bonds, and they are going to have all the securities of the banks and corporations and individuals to which loans are made.

Mr. SMITH of Michigan. Denominated "commercial paper," and nobody thinks that what is denominated as commercial paper is as good as securities of their Government.

Mr. MEEKER. Mr. Chairman, will the gentleman yield?

Mr. KITCHIN. Yes; and I will then take my seat.

Mr. MEEKER. Can the Government loan to any subsidiary corporation? It says here in section 10—

That in no case shall the aggregate amount of the advances made under this title to any one person, firm, corporation, or association exceed at any one time an amount equal to 10 per cent of the authorized capital stock of the corporation.

Now, if they loan up to 10 per cent of the capital stock of the corporation to the parent corporation, can they loan up to 10 per cent to a subsidiary corporation?

Mr. KITCHIN. I would say that according to the strict letter of that provision they could so loan, but not according to its spirit and intent, and no directorate would make such a loan under such circumstances to the subsidiary corporation; that is, a corporation the majority of whose stock or the controlling interest is owned by another corporation if to the parent company the 10 per cent had been advanced and was still outstanding. I say that the loan to the parent and such subsidiary

together ought not to be over 10 per cent. I thank gentlemen for their patience and attention. [Applause.]

Mr. FORDNEY. Mr. Chairman and gentlemen, the gentleman from North Carolina [Mr. KITCHIN] has explained so thoroughly the purposes of the bill that, so far as I am concerned, I am going to be very brief, if permitted, in explaining my views about this bill and its purposes.

It is an emergency measure and nothing else. That is all there is to it, and that is all there ought to be to it. The gentleman from Texas [Mr. GARNER] asked Mr. Warburg when he was before our committee what he thought of this bill, and he said, "It is an emergency measure, and therefore I am in favor of it." I will quote his exact words. The gentleman from Texas then said to him, "Mr. Warburg, what would you think of this law in normal times?" His reply was, "It would be absolutely rotten, sir; absolutely rotten."

It is an emergency measure, because we are doing great things and taking great chances at this time throughout the whole world. It is for the purpose of making available certain securities as collateral to loans that are not available for that purpose to-day.

All will agree that the Federal reserve banks to-day have saved us from a financial panic. [Applause.] The Federal reserve banks under existing law can only loan on commercial paper—paper given in the payment or the promise of payment in a business transaction—for instance, in the purchase of goods or real estate or any other property. The local banks, the member banks of the Federal reserve bank, can rediscount such paper with the Federal reserve bank, and no other paper; that is to say, a direct loan made to an individual or corporation by a member bank; and that company's paper given the member bank can not rediscount with the Federal reserve bank.

I wish to repeat: Commercial paper alone can be rediscounted by the member banks in a Federal reserve bank, and therefore collateral security, such as is expected to be offered under the terms of this bill, is not available for rediscount for loans in the Federal reserve banks.

In normal times the annual products of the country, agricultural and manufactured, exceed in value \$30,000,000,000. With inflated values, such as there are now all over this world, due to this great world war, our products, agricultural and manufactured, exceed in value this year more than \$50,000,000,000. There is in round numbers in circulation in this country \$6,000,000,000 in money of all kinds at the present time, and in June of this year more than half that sum will be called into the United States Treasury from taxes; and if you remove from the business channels of this country one-half of all the money of this country and pay it into the Treasury of the United States any business man can understand that there is going to be a scarcity of money in the country to be loaned to the industries of the country to carry on the production of goods, agricultural and manufactured.

My candid opinion is that the real purpose of this bill is to loan money to the great railroads of the country chiefly, and I will tell you why. There is an estimated valuation of railroad property in the United States to-day of \$17,500,000,000. In my candid opinion their value is \$20,000,000,000. Because of legislation, both State and National, that has been unfriendly to the railroads of the country for the past 10 or 15 years the railroad property of the country is not as valuable as heretofore. That is to say, investments in railroad property are not attractive, and railroad securities have gone clear out of sight on the toboggan slide.

Of the railroads of the country last year 750 railway systems in all borrowed but \$57,000,000, or three-tenths of 1 per cent of their valuation, based upon \$17,500,000,000. The money lenders of the country will not lend money to the railroads. Of course, while the railroads are under Government control, with the guaranty of a certain rate of income based on the value of the property while the Government is behind the railroads, railroad securities sell at better prices in the market than if the Government were not back of them. But if I were loaning money I would not loan to the railroads of the country. I would much rather accept municipal bonds at a reasonable rate of interest, because most of the municipal bonds of the country are exempt from taxation.

That is one reason why money lenders will invest in such securities. The second is they are the best class of loans in the country except real estate mortgages. They are more apt to be paid. But with 750 railway systems of this country last year, as I said before on the floor of this House, borrowing only \$57,000,000, with the Interstate Commerce Commission fixing the maximum rates on freight and passenger fares the railroads can charge, and the Congress of the United States fixing the

minimum wage scale—two great bodies, one fixing the income and the other fixing the outgo—railroad property is in a bad fix. And the condition is going to get more chaotic every day unless we have some more favorable legislation in the interest of the railroads. The railroads of this country are the bone and sinew of the industrial world—

Mr. MADDEN. Did the gentleman notice in this morning's paper that the Interstate Commerce Commission had issued an order increasing the railroad freight rates 15 per cent?

Mr. FORDNEY. Fifteen per cent on what and where, my friend?

Mr. MADDEN. Railroad rates.

Mr. FORDNEY. There are three great railway divisions in the country, fixed by the Interstate Commerce Commission. One is west of the Mississippi River, another south of the Ohio River and east of the Mississippi River, and the third is north of the Ohio River and east of the Mississippi River. This increase in rates does not apply to all the railroads in the whole country.

Again let me say to the gentleman—I am diverting, however, from the purpose of my argument—that the increased rates allowed by the Interstate Commerce Commission to the railroads of this country in the last 10 years are not one-tenth of the amount that has been permitted in the way of increases by the principal countries of this world to their railroads. I had occasion to look that up only a short time ago.

Mr. MADDEN. I am not complaining at this increase of rates.

Mr. FORDNEY. Neither am I. I understood the gentleman about that.

Mr. HICKS. I think this rate increase was only on specific articles and not a general increase on all commodities.

Mr. FORDNEY. When it is applied on all articles in general the gentleman will find that the percentage of increase is so small that it does not amount to much. In other words, the Adamson bill increased the operating cost of the railroads of this country, according to the best information I can obtain, more than \$100,000,000, and no adequate income has been allowed to the railroads to meet that additional cost. But the principal purpose of this bill is to loan money to the railroads. When I say to you that the railroads were only able to borrow last year three-tenths of 1 per cent of their total capital value you can understand that the money lenders of the country are not anxious to loan to the railroads.

Mr. DILLON. The bill that we just passed relative to the taking over of the railroads provided for loans to the railroads, did it not, and does not that sufficiently supply that need?

Mr. FORDNEY. I will say to the gentleman, no.

Mr. DILLON. Why not?

Mr. FORDNEY. The gentleman is correct, and yet not exactly correct. The purpose of the \$500,000,000 loan authorized in the railroad bill recently passed, as I understand it, is to purchase equipment, to better the railroad systems of the country, to purchase terminals, and buy rolling stock, which the railroad companies have not had the money to purchase. We are in a chaotic condition to-day in the shipment of goods all over this country on every railroad. Now, why? I will tell you why. Because of adverse legislation that I have spoken of, the railroads of the country have not had the money to keep up their betterments, and with the greatly increased production of goods in this country, and products of every kind, the railroad companies have not had the money to build locomotives and cars and better bridges and terminals, and to lay heavier steel, and these roads are at the present time in a condition run down at the heel. This \$500,000,000 appropriated in the railroad bill is to answer that purpose, and not to loan to the railroads money they must have for many other betterments.

Mr. DILLON. Does not the bill directly authorize the purchase of bonds issued by the railroads?

Mr. FORDNEY. Railroad bonds?

Mr. DILLON. Yes. The bill itself provides that the Government may buy and sell bonds that may be issued.

Mr. FORDNEY. The bill provides that the President may approve of the issue of bonds authorized by the railroads, in his judgment.

Mr. DILLON. And to purchase?

Mr. FORDNEY. No; I beg to differ with the gentleman. It is not to buy railroad bonds. That is not my understanding of the bill.

Mr. DILLON. If the gentleman will examine it, he will find I am correct.

Mr. FORDNEY. When I first read the bill that was my inference, but when you read the bill carefully you will see that it authorizes the President to approve of the issue and

sale and purchase of those bonds. I may be wrong about this, and if so I want to be corrected. If there is such a provision in the law, the President ought to be burned in effigy if he steps out now and attempts to purchase railroad bonds on the market to bolster up the value of railroad stocks and bonds. Let me call your attention to the depression in railway stocks and bonds, because it is the gist of this argument. I want to tell you where the stocks and bonds of the railway companies have gone in the past few years. I have here a list of the bond values of 26 of the largest railroads in the United States, bonds of those companies sold since 1906 down to and including 1917. They went all to pieces. Some of you gentlemen are more familiar with some of these roads than with others, as I am; but the 4 per cent bonds of the Atchison, Topeka & Santa Fe Road went from 104½ to 83½, their par value being \$100. The Atlantic Coast Line went from 95½ to 80; Baltimore & Ohio, from 101½ to 78; Chesapeake & Ohio, from 109 to 70; Chicago, Burlington & Quincy, one of the most valuable roads of the country, traversing one of the richest territories in the United States, from 103½ to 81½.

Mr. SLOAN. Will the gentleman yield, or does he desire to finish his statement?

Mr. FORDNEY. I will yield, although I want to go on with this argument.

Mr. SLOAN. What I desire to know is this: These bonds were supposed to be secure. Does not the gentleman attribute the reduction in the market price of these railroad bonds to the competition of a large amount of Government securities bearing a comparatively high rate of interest, and which are practically exempt from taxation?

Mr. FORDNEY. No, my friend; what I am trying to illustrate is this, that at the time when the Government took control of the railroads their financial situation was critical. Money was very hard to obtain by people who must have money, and the railroads needed more money than any other great industry in the country.

Mr. SABATH. Will the gentleman yield for a question?

Mr. FORDNEY. Yes.

Mr. SABATH. Is it not a fact, perhaps, that the public lost confidence in these railroads on account of the stories of the dishonest operations of some of the officials of these roads, like the New Haven and others?

Mr. FORDNEY. I have heard a great deal about thieves. I never caught but one thief in my life, and I saw him steal and I caught him. I am not ready to convict everybody upon the simple statement that the average man of business is a thief. I do not believe that the average railroad in this country has been so handled that it has gone to pieces because of thieves in its management. Some roads have undoubtedly been mismanaged; not altogether because the management was dishonest, but it was incompetent and perhaps sometimes dishonest along with it. I know of no railroad officials who have been stealing, and if I did know of any I would report them to the Attorney General.

Mr. SABATH. My question was whether, due to the circulation of these reports, and due to the mismanagement on the part of some roads, have not all railroads suffered thereby?

Mr. FORDNEY. I do not think that is the chief cause.

Mr. SABATH. That is one of the causes.

Mr. FORDNEY. Will the gentleman let me answer, we can not both talk at once, for if we do it will be sort of a half-bred argument.

Mr. SLOAN. Will the gentleman yield?

Mr. FORDNEY. Let me answer the gentleman first. I do not believe that because of some mismanagement of a few railroads in the country that is the cause of the depreciation of railroad values in the country. Now, I will yield to the gentleman from Nebraska.

Mr. SLOAN. There has been no charge of thievery or mismanagement in the roads the gentleman has mentioned, the Union Pacific, Atchison, Burlington, Northwestern, or any of the granger roads, except possibly the Rock Island?

Mr. FORDNEY. I am not charging mismanagement of the roads or dishonesty. I do not know of any dishonesty in the management of the great railroads of this country, although I have heard of it.

Mr. WALSH. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. WALSH. Has the gentleman read the report by the Interstate Commerce Commission which investigated the management of some of these roads?

Mr. FORDNEY. Yes; but not all.

Mr. WALSH. And did not they condemn the management and the way the finances were used?

Mr. FORDNEY. Suppose I did read it all; I would not know anything about it except what a member of the Interstate Commerce Commission said about it.

Mr. WALSH. The gentleman would if he read the testimony and was able to form an opinion, and I know the gentleman is.

Mr. FORDNEY. No; I was not present. Now, if the gentleman will let me proceed, I want to be kind to everybody, because I have no ill will against anybody.

Mr. JUUL. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. JUUL. Will the gentleman tell me what period of time lies between the high valuation of the bonds and the lower valuation?

Mr. FORDNEY. From 1906 down to date, but chiefly in the last two years.

Mr. JUUL. Two years between the high and the low value.

Mr. FORDNEY. Between 1906—that is the farthest period of time back—down to the 1st of January, 1917, and from that to December, 1917.

Now, the Chicago, Milwaukee & St. Paul road's bonds declined from 98½ to 69; the Chicago & North Western from 100½ to 70½; the Delaware & Hudson from 103 to 87; the Great Northern from 101½ to 86; and so on down the whole 26. I will not take the time to read them all. The average shrinkage of all these bonds of these companies was 16½ per cent on all the roads.

Now, the value is there. The value of the stock depends on the value of the property, and not only upon its value but upon the successful management of the companies. You may have an institution with a million dollars of capital paid in and a million dollars' worth of property and a million dollars of par value of stock, but your stock is not worth 2 cents on the dollar unless that institution is successfully managed.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. FORDNEY. I will.

Mr. GREEN of Iowa. The gentleman speaks of the depreciation of railroad bonds; the gentleman is aware that all bonds have greatly depreciated in value?

Mr. FORDNEY. Yes; but, my friend, the railroads are in a chaotic condition financially to-day, and the purpose of this bill is really to aid the railroads more than any other industry, in my opinion. All values have shrunk in the country and so have stocks since the war has been declared.

Mr. GREEN of Iowa. I had here the other day a chart which I intended to use when we were discussing the railroad bill, which made a comparison of the rise and fall of railroad bonds and other bonds and railroad stocks and other stocks, and there was no appreciable difference in the rise and fall between railroad stocks and other stocks. They all depreciated in the same ratio and in the same way.

Mr. FORDNEY. The gentleman's argument is evidence that the financial circumstances of the roads are in bad shape. Financiers having the money do not want to loan it, and so it makes it impossible to get money at reasonable rates of interest. That is the purpose of this bill—to aid such industries in getting money.

Mr. DILLON. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. DILLON. I want to call the gentleman's attention to the provisions of section 7 of the railroad bill:

The President may, out of the revolving fund created by this act, purchase for the United States all or any part of such securities at prices not exceeding par, and may sell such securities whenever, in his judgment, it is desirable at prices not less than the cost thereof.

Mr. FORDNEY. What is the purpose of that? The purpose is that if the railroad comes to the Government to get any portion of the \$500,000,000 to buy betterments, rolling stock, heavier steel rails for terminals to add to the betterments of the railroads, all the railroad companies have got to offer to the Government is their stock and bonds, whatever security they may have, but it does not authorize the President to go out and promiscuously buy railroad bonds on the market.

Mr. DILLON. Let me read a further provision in reference to the reorganization of these companies.

Mr. FORDNEY. I wish the gentleman would not take up all of my time. I will concede that the President has authority to buy these bonds, but the money put into the bonds is to go to the railroad companies for betterments of the railroad, and it does not authorize him to buy bonds floating around the country issued 10 years ago. The gentleman and I disagree only as to the purpose.

Mr. DICKINSON. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. DICKINSON. The gentleman stated that the purpose of the bill is to aid the railroads. Does the gentleman find the word "railroad" in the bill?

Mr. FORDNEY. No; and I do not find the word "sugar-coated," and yet it is sugar-coated from top to bottom. There is nothing in the bill about railroads, but you will agree that the railroads are in the worst condition to-day financially than any other industry of the country and will get the major portion of these loans.

It was stated by the Secretary of the Treasury and by Mr. Warburg, who appeared before our committee, that they feel they must within the next 30 days, I believe, loan to the New Haven Railroad \$45,000,000. That is one to begin with. Now, you can take care of a whole lot of little institutions in the country with \$45,000,000.

Mr. LONGWORTH. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. LONGWORTH. I simply want to inject the fact, however, that under this bill the limit of the amount that could be loaned directly to the railroads is one-sixth of the outstanding capital stock.

Mr. FORDNEY. Yes; but one-fifth of \$500,000,000 is \$100,000,000, and with that capitalization there would still be \$55,000,000 left.

Mr. STERLING of Illinois. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. STERLING of Illinois. I think the idea of the Secretary of the Treasury was not that this corporation would loan that entire amount to the New Haven Railroad Co.

Mr. FORDNEY. No; I think not. I think I rather exaggerated that.

Mr. STERLING of Illinois. But that if they would loan a considerable per cent of it, the banks would be willing and able to take care of the rest of the loan to the company.

Mr. FORDNEY. Yes. Let me get to the gist of the point. The committee threw safeguards around the bill to that extent, as the gentleman from North Carolina [Mr. KITCHIN] has fully explained, that not more than 10 per cent of the capital and issue of bonds can be loaned to institutions directly by this corporation. The remaining 90 per cent must come through the local banks with the indorsement of the local banks. The difference between those two loans is this: The purpose of this bill is to loan to local banks, National or State, 75 per cent of the money that the bank loans directly to the institution, and only 75 per cent, but that bank must indorse that note on which the loan is made. The loans to be made through the local banks, National or State, must be secured and that security turned over to this Finance Corporation with the collaterals and notes, together with the indorsement of the local bank of that note. That is double security, but the direct loans authorized up to 10 per cent may be made by the Finance Corporation directly to the company or individual without the indorsement of any bank. But in such loans the corporation then must demand 133 cents collateral securities for 100 cents of loan. That is the difference between the two loans. That loan when obtained directly through the institution with 133 cents of collateral on 100 cents of loan is not as good as the loan that comes through the local bank, because there is an additional 33½ per cent collateral required with the loan through the bank, and in addition to that, there is the indorsement of the local bank, and that class of loans is better than the direct loan.

Mr. REED. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. REED. This corporation, which is temporary, and which has been denominated as rotten, can only provide for loans for a five-year period.

Mr. FORDNEY. Yes; the corporation must cease six months after the proclamation of peace.

Mr. REED. Who will take care of the railroads then?

Mr. FORDNEY. Let them go to hades or let the country take care of them. We do not want the Government forever to take care of them. We expect normal conditions once more to prevail, and when normal conditions have once more returned to the country, we will go on as we have in the past, and the Federal reserve banks and the local banks will take care of the industries of the country. There are now unusual conditions prevailing throughout the whole country, and this is intended to take care of those conditions under those circumstances.

Mr. SMITH of Michigan. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. SMITH of Michigan. For how long a term can this corporation loan to an institution engaged in war industries?

Mr. FORDNEY. Five years is the limit. I did not quite fully answer the other question. Under the provisions of this bill the activities and powers of the corporation must cease six months after the proclamation of peace, and the business of the corporation must be closed within 10 years.

Mr. SMITH of Michigan. Do I understand they could loan to a manufacturing institution for five years?

Mr. FORDNEY. Yes; the longest loan that can be taken is five years.

Mr. SMITH of Michigan. On commercial paper?

Mr. FORDNEY. On any kind of security back of any note offered to the corporation. Five years is the limit that they can make the loans for, either directly or through the local banks, because we expect this war will end some time, and we are all praying that it will end in a short time; but we are trying to take care of the industrial world while this war is going on and aid every institution that is aiding the Government to support our boys in the trenches over across the sea. That is the meat of this thing.

Mr. McCORMICK. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. McCORMICK. I would like to suggest to the gentleman that perhaps he is conveying to the committee an impression of undue optimism. He stated that we would return to normal conditions before long after the war. I thought perhaps he meant he hoped we would.

Mr. FORDNEY. Oh, yes; I hope and I expect. The people of this country are intelligent, and if they make a mistake they will soon correct it.

Mr. JUUL. The gentleman stated that the power to loan would cease in five years?

Mr. FORDNEY. In six months after the proclamation of peace.

Mr. JUUL. If there is power in this bill to grant loans there must be power to renew loans where there is inability to pay, must there not?

Mr. FORDNEY. Yes; but they are not supposed to be renewed after six months after a proclamation of peace. The powers of the corporation must cease then, except the winding up of its business.

Mr. JUUL. What happens when there is inability to pay?

Mr. FORDNEY. I will tell you what came mighty near happening to me in the panic of 1896. If I had had anything, I would have "busted," and that would be their fix if they are unable to go elsewhere and get money except through this corporation, because this corporation's business must end six months after the war is over; they are likely to be embarrassed.

It was thought best to control the new institution, and say to a city, for instance, that wanted to build a city hall that cost half a million dollars, "You can wait just as well until this war is over when we will not need that money for other purposes. And we will not issue a license to any bank in the country to finance that project until the war is over."

Mr. HICKS. If this committee does not have the power to prevent that corporation from issuing that new issue of stocks and bonds, what value is it to have the provision put in the bill?

Mr. FORDNEY. I will tell you the benefit that I think there is in it. I thought at first that that original provision in there was too drastic, and that it might be used for political purposes where it was possible to do so. If the corporation, or if this corporation, does not recommend the issuance of stocks or bonds to be sold to finance a corporation for more than \$100,000, the banks that must look to this finance corporation for loans are going to be very slow to make those loans unless they know this corporation is going to indorse such loans, and consequently it will have practically the same effect as the old provision that was in the law, in my opinion. I do not believe that a bank that must look to this finance corporation for rediscounts would finance a corporation that this committee would disapprove of for fear the finance corporation would decline to give aid to your bank any further.

Mr. McFADDEN. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. McFADDEN. Will the gentleman explain how the finance corporation is to get its funds, and from what source?

Mr. FORDNEY. Yes. The gentleman from North Carolina took two hours a while ago to tell you that, and I thought he told you plainly. I will be very brief. In the first place, the Government is to take \$500,000,000 of stock of this company and put up the cash extracted from people in taxes. Beyond that they are going to issue bonds of the corporation, back of which they claim they have got collateral security from direct loans or from local banks of the country, and in addition to what is back of those bonds is this \$500,000,000 in cash put in the Treasury by the Government. They expect to sell bonds

and get money in addition to the \$500,000,000 subscribed by the Government. Has that answered your question?

Mr. McFADDEN. Whom are they going to sell the bonds to? Mr. FORDNEY. To you and to anybody else who has money and courage enough to buy them.

Mr. McFADDEN. They are made eligible for rediscount?

Mr. FORDNEY. Let me say to you that I differ with my good friend from North Carolina, Mr. KITCHIN, in this respect. I believe the Government should be back of these bonds as well as the corporation. Whether they are or whether they are not, if you and I live long enough, and if this corporation meets with reverses and losses to amount to more than \$500,000,000 subscribed by the Government in stock, Uncle Sam through some future Congress will come forward and say to the man that loaned his money, "You loaned that money to this corporation in time of great need and that corporation loaned it to some institution furnishing supplies to support my boys on the battle field, and Uncle Sam will pay you 100 cents on the dollar." [Applause.]

Mr. McFADDEN. Does the gentleman think that these bonds will sell in competition with liberty bonds?

Mr. FORDNEY. There is a provision in the bill which provides that these bonds must not be sold at less than par, but what they will sell for I do not know. But that is what the law says.

Mr. GRAHAM of Illinois. Will the gentleman yield?

Mr. FORDNEY. I will.

Mr. GRAHAM of Illinois. The inquiry in my mind is this: Suppose we issue these bonds and find they will not sell, then we will have to take some similar action like that which we took in the matter of the Federal farm-loan bonds?

Mr. FORDNEY. Well, I never had any faith in that farm-loan scheme. I think that was a fake. But if it is found that this corporation's bonds will not sell at par, mark what I tell you, the administration will be right back and ask Congress for some relief, and we will give it as best we can. That is what will happen, my good friend.

Mr. STERLING of Illinois. Does the gentleman not think that the interest rate will make them sell at par if the interest rate is high enough?

Mr. FORDNEY. I think so.

Now, let me say to you, my good friends, this: I will not mention the firm, but the Secretary of the Treasury made the statement before our committee that one great corporation in this country that is doing very much toward aiding in the production of supplies by furnishing power to great institutions is at the present time in financial trouble; and it is expected that this corporation is going to lend aid to that company, that recently was compelled to pay 13 per cent interest on a loan they obtained in New York. And when it is understood that company can come to this corporation and get money at a reasonable rate of interest the local bank is going to loan that money at a reasonable rate of interest or give up the loan.

It is going to be a good thing in that way. As to whether or not this is inflation, let me say, that here is the dangerous part of it, but we need not be afraid of that. Uncle Sam never got in such deep water but that he was able to wade ashore high and dry and pay his debts. We were practically out of debt before this war began. We pay our debts. We are the wealthiest people in the world, with \$260,000,000,000 of wealth in the United States; and with thirty or forty billions of indebtedness nobody need fear that Uncle Sam will not pay his debts.

Mr. JOHNSON of Washington. Granting that, I would like to ask the gentleman if he has given any consideration to the thought of the possibility of the fact that if the Government is not out-and-out behind these bonds it will inevitably lead by the Government to the ownership of the railroads?

Mr. FORDNEY. As long as God gives me intelligence and my health and strength and my constituents permit me to remain here I will vote against Government ownership of railroads, because that would bring financial disaster to our Government.

Mr. JOHNSON of Washington. But in spite of the gentleman's vote, the bond situation, with the Government apparently not being behind them, will result in the ownership of the railroads.

Mr. FORDNEY. I do not think it will, but if it does, if this Government through any legislation that we are passing now to help out this war, becomes the possessor of a railroad in this country, oh, how quick Uncle Sam will let go as soon as the people open their eyes and find out what an expensive proposition the Government has on hand.

No country in the world has tried Government ownership and control and operation of railroads that did not make a failure of it; not a country in the world. Right over here in Canada,

across the border, the railroads in private ownership spent \$73 in operating costs for each \$100 of receipts or income, while the Government-owned roads, traversing some of the best and richest territory in Canada, spent \$102.13 to get back \$100. That is the difference between a Government-managed institution and one managed by an individual or a corporation.

As a little illustration here, we had a little flurry of snow this winter, 3 or 4 or 5 or 6 inches of snowfall, and a man came and asked me to aid him, if possible, in getting some coal hauled to his home, because he said the coal companies of the city claimed they had no means of transporting the coal to his home. They had the coal, but no means of transporting it. I saw 24 teams lined up about this Capitol hauling snow down to the Potomac River, trying to raise the height of the water. [Laughter.] They could have had no other purpose. Why in the world did not they shovel the snow to one side, as we do in Michigan, where we have 3 or 4 feet of snow? No; more than a score of teams hauling snow from the Capitol, with no transportation available to haul coal to individuals needing it. That is an illustration of Government management. [Applause.]

I will give another illustration. Since the Government took over the management of the railroads a man came to me the other day and said, "I was down by Collingdale, 26 miles outside of Philadelphia, and there I saw 147 carloads of coal that had lain there 42 days without unloading or moving. But that is Government ownership. Great Scott!"

A carload of goods arrived in this city on the 2d day of March that had been shipped from the city of Detroit, 700 miles away, on the 28th of December. It took 63 days to get that carload of goods from Detroit to the city of Washington under Government management. No wonder that we have a shortage of cars.

Mr. SABATH. Mr. Chairman, will the gentleman yield? That was before Government management.

Mr. FORDNEY. No, sir; we now have Government control, since December 28 last. The very day the Government took over the railroads that carload of goods was shipped from the city of Detroit, 700 miles away, and it took 63 days to get that carload of goods to Washington.

Mr. SABATH. I suppose the gentleman thinks that the Secretary of the Treasury or the Director ought to have been on that train and ordered the goods shipped down here.

Mr. FORDNEY. Let me call your attention to the situation to-day. There are some things about this bill that I do not like, but I am going to support it because it is going to give relief to the financial institutions of the country. It is absolutely necessary, gentlemen, to pass it in order to avoid a money panic. All the outstanding money in the country is redeemable in gold under existing law. Silver is redeemable in gold.

Mr. DILLON. Mr. Chairman, will the gentleman yield?

Mr. FORDNEY. Later I will yield. Silver certificates are redeemable in silver and gold certificates are redeemable in gold. There are gold certificates outstanding at present to the extent of \$1,235,000,000. Six months ago we had over \$1,800,000,000 of gold certificates outstanding. Back of every gold certificate outstanding to-day there is 100 cents of gold coin or gold bullion in the United States Treasury to redeem it when it comes back. Those gold certificates are now being called in and Federal reserve bank notes are issued in their place, back of which there is but 40 cents of gold coin or gold bullion. In other words, we are issuing \$2.50 of Federal reserve notes against \$1 of gold. This is inflation.

In addition there are \$1,875,000 of United States notes, \$346,381,000 Treasury; and Federal reserve notes, of \$1,505,000; of Federal reserve bank notes, \$11,898,000; and \$719,000,000 of national bank notes; or a total paper money outstanding and silver combined of \$4,358,000,000, with \$2,400,000,000 of gold to redeem it with. This is inflation.

We are going to keep on issuing more Federal reserve bank notes until all the gold certificates of the country have been called in and destroyed and Federal reserve bank notes issued in their place—that is, \$2.50 for \$1, or about \$5,000,000,000 of Federal reserve notes outstanding as against a little less than \$2,000,000,000 of gold certificates heretofore. But we have to have the money, and I have no criticism to offer. I only call your attention to the importance of these things.

We are going far afield in legislation, gentlemen. I have voted for everything that the administration has asked for, in the way of power or appropriations or bond issues, to help carry on this war. I am going to vote for everything, in my judgment, that the administration needs. I have entirely forgotten politics in this House while this war lasts.

But the administration is asking at the present time for more power than it ought to ask for, and one that I am unalterably opposed to and am going to express myself right here, and I want you to think about it: There was introduced in the Senate

the so-called Chamberlain bill, which, if enacted into law as it was introduced, would give the President of the United States the power to take over all the sawmills, all the lumber camps, the entire production of lumber, and all the timber of the United States, and to direct management.

Now, anything under the blue sky could be directed under the language of that bill by the President of the United States. Gentlemen, that bill was introduced upon the theory that the sawmills of the South are declining and have refused to furnish to this Government timber with which to build ships. That is a mistake. The man that conceived that idea was uninformed. I know better. I have examined timber in nearly every State in the South, and I am a manufacturer of lumber in the State of Mississippi, where as fine long-leaf timber and as large grows as grows anywhere under God's sun.

The Government has asked for large sticks of timber, say, 24 by 24 inches square, and from 30 feet long up to any length that can be obtained, chiefly 40-foot lengths. I want to tell you, my friends, that to saw a stick of timber 24 by 24 inches square and 40 feet long in a sawmill means that you must have a stick of timber absolutely straight, absolutely round, and absolutely perfect, about 38 inches in diameter at the top end. I venture to say there is scarcely a tree of long-leaf pine standing in any Southern State that will make a stick of timber 24 by 24 inches square and 40 feet long with a proud edge or an absolutely square edge. I say it takes a stick 38 inches at the top end to make a stick of that kind, and the shipbuilding corporations were so notified when they went out onto the market last year and asked for that size of timber from the mills of the South to build ships. They were told, "Go to the Pacific coast, where you can get your large dimensions, and the mills of the South will furnish you to their fullest capacity and limit all the timber that can be made out of the standing timber in the South." They declined to do that and said they could not mix Douglas fir from the Pacific coast with long-leaf timber from the South.

Finally they have discovered that they can mix them and that they will properly mix, because the tensile strength of a stick of timber cut from Douglas fir and of a stick of timber cut from long-leaf pine of the South is practically the same. I saw a test made at the World's Fair at Chicago, and the pressure before the timber gave way was 282 points on Douglas fir as against 285 points for long-leaf pine—practically the same. At last the corporation obtaining timber for shipbuilding in the South have found they can not secure these large timbers from the South, and have gone to the Pacific coast, as lumbermen advised them to do last May. But they come back now and say they are obliged to go to the Pacific coast, because the lumbermen of the South are disloyal and will not cut timber for them for shipbuilding. That is not true. Any man who makes that statement is not well posted. [Applause.] I am opposed to that bill. There are 48,000 sawmills in the United States, employing, in round numbers, 900,000 men. Those 48,000 sawmills have 48,000 skilled, experienced superintendents running them. No man in the White House or any other house in the city of Washington can sit in a cushioned chair behind a mahogany desk and direct the management of 48,000 sawmills scattered all over this country as efficiently as can 48,000 superintendents right on the ground and knowing their business. [Applause.]

Mr. JOHNSON of Washington. Is there any real difference between apparently running them from headquarters in Washington and sending men into the lumber districts who fix a 10-hour day on an 8-hour basis and regulate the entire pay roll, commencing with \$100 a month for second cooks, thereby establishing that scale?

Mr. FORDNEY. Let me say to the gentleman that about three months ago, when there was a strike in the sawmills and lumber camps of the Pacific coast in Oregon and in Washington, a man came there from California and called the lumbermen together and advised them what to do. The mills were closed down for three months. The I. W. W. would not let them run. They were destroying property, burning timber, blowing up dams, burning the landings where logs were landed, smashing machinery in the woods, doing every vicious thing that a wicked mind could think of—

Mr. JOHNSON of Washington. Putting emery into the oil.

Mr. FORDNEY. Yes; and putting camphor into the gasoline that ran the little motor engines to supply water to the donkey engines in the woods. Camphor spoils the gasoline. Gasoline with camphor in it will not run an engine. They put emery dust in the cylinders and in the grease boxes to destroy the machinery. They took sledges in the night and smashed the gearing, the drive wheels, which threw the machines out of commission for three or four weeks. While this was going on, that man came up there from California and claimed to be a representative of the

Government sent there by the President. He advised that the lumbermen accept all the conditions demanded by the I. W. W., saying that if they did so everything would run smoothly. I was not present, but I know some gentlemen who were.

One gentleman from California, a lumberman, operating there and in the State of Oregon, said to him, "You were a professor in a certain college down in southern California at one time, were you not?" "Yes." "You were kicked out because you were teaching socialistic ideas. Let me say to you, go back to California and tell your people that we have enough socialism and anarchy here without you, and tell Woodrow Wilson that we are going to run our institutions without advice from any anarchists from southern California." [Applause.] That is the kind of aid that the administration at that time gave to the institutions that were struggling with rampant anarchy on the Pacific coast in every industry. This bill that I am talking about is now before the Senate. I appeared before the Senate committee the other day and opposed that bill, and I believe it is going to be amended so that the President may commandeer timber, may commandeer lumber all he wants, but he will have to keep his hands off the throttle in the management of these mills. I believe that bill will pass the Senate in some such modified form, and when it comes here I want you to give it very careful consideration.

Gentlemen, I am going to close. I have talked much longer than I intended to. I am in favor of this pending bill, because I know that this \$500,000,000, and this \$2,000,000,000-bond authorization, will put enough more money in circulation in this country to aid the institutions that must have financial aid or else stop their operations or go into the hands of receivers. We have thrown safeguards around this bill in every particular. It would take me too long to explain all those things, but I am willing to answer any questions I am able to answer, asked by any man, whether opposed to the bill or in favor of the bill. I am going to support the bill. I want the men who are appointed to handle this money and place these loans to be men of the highest character, and I believe they will do their duty and make these loans where they are most needed, and that they will safeguard the interests of Uncle Sam and not loan money where it should not be loaned. It is not to be expected that they can loan it all perfectly and get it all back. That is beyond human ability in my opinion, because there is not a bank in this country, no matter how carefully and well managed, with the best talent there is in the land, which does not make some loans that fail. If this corporation makes loans on which they may never get back 100 cents for 100 cents I will not criticize them if they are as judicial in their loans as the average great banks of the country. Gentlemen, I thank you. [Applause.]

I yield to the gentleman from Ohio [Mr. LONGWORTH] one hour.

Mr. LONGWORTH. Mr. Chairman and gentlemen of the House, you listened this morning to a very able, exhaustive, and clear explanation of the details of this bill from the chairman of the committee, the gentleman from North Carolina [Mr. KIRCHIN]. I shall not attempt to take up those details. All that I could say would be a mere repetition of what he said. Neither shall I discuss the question as to whether or not the particular object of this bill is to benefit the railroads of the country, as alleged by the gentleman from Michigan [Mr. FORDNEY]. While I believe that something of that sort is intended, and while something of that sort should be done, it occurs to me that inasmuch as we have limited the amount that can be directly loaned to any railroad or other corporation to one-sixth of the entire amount of the capital and bonds to be issued that loaning to railroads is more or less a negligible part of this bill.

Mr. MADDEN. If the gentleman will yield, is it not limited to 10 per cent of the capital?

Mr. LONGWORTH. To 16 per cent of the capital and the amount of bonds authorized to be issued on that capital.

What I desire at the outset to discuss in some detail is the original bill submitted to us and the effect that the passage of that bill might have had upon the country.

The fashion has been growing of late, particularly when bills of major importance are before us, that the sponsors of these bills on the floor of this House rest their main grounds for defense of their provisions upon the proposition that they were drafted in some executive department. Members of committees reporting these bills advocate and recommend them not because they reflect their views but because they reflect the views of some one else. Since I have been a Member of this House I have never seen such a flagrant illustration of this sort of legislation as in the case of the railroad bill passed last week. Time and time again the chairman of the Committee on Interstate Commerce and other members resisted amendments to certain sec-

tions of the bill on the sole ground that they were drafted elsewhere than in the committee room—in the office of the Director of Railroads, perhaps, or in the office of the Interstate Commerce Commission, or in the offices of certain railroad attorneys who were presumed to know exactly what the railroads wanted—and hence we were described as meddlers when we sought to disturb the work of any of these gentlemen by so much as the dotting of an "i" or the crossing of a "t."

Things have come to a pretty pass, gentlemen, if legislation in this House, in this Congress, is to be simply a matter of Executive order, if committees of this House are to be mere legislative machines for registering the will of the Executive. For one, I believe the time has come to definitely impress upon the Executive and upon the country that we propose to do some thinking for ourselves. [Applause.] That we propose to scrutinize rigidly the legislative proposals sent to us from the other end of the Avenue, and to enact them with such additions, subtractions, and alterations as seem best to us, acting in the capacity imposed upon us by the Constitution of the United States. [Applause.] In short, that we propose to conduct ourselves as legislative representatives of the American people and not merely as amanuenses of those holding executive office. [Applause.]

The Committee on Ways and Means, in recommending this bill, do so not upon the plea that some one else made it for us, but because we made it for you. [Applause.] It is true, of course, that we present this bill in response to the request from the Treasury Department for the creation of the financial machinery thought necessary, and as we have concluded, after full discussion and hearing absolutely essential to the proper financing of the war. But we have built the legislative framework of that machinery ourselves, we have hung a respectably sized monkey wrench on the safety valve and we have changed engineers. [Laughter.]

Probably few of you realize—the gentleman from North Carolina indicated it to you this morning—but probably few of you realize, who did not study it closely, the absolute revolutionary character of this bill as originally presented to us. It gave to William G. McAdoo, Secretary of the Treasury, Director of the Railways of the United States, chairman of the Federal Reserve Board, and holder of several other vastly important offices, in addition to the powers he already possesses, the power to advance or withhold from the banking institutions and the industrial corporations of this country credits to the extent of \$4,500,000,000.

I say that these powers were entrusted to William G. McAdoo, for while I concede there was to be associated with him a board of four other gentlemen, yet inasmuch as he had the power to appoint them, to dismiss them at will, with the veto absolutely over anything they might do, they would have been about as pitiful a collection of dummies as it is possible to conceive. Furthermore, the bill gave to him a power perhaps even more vast and far-reaching, that of licensing or refusing to license the issue of securities in any amount over \$100,000 by any person, firm, or corporation in the United States. Even that was not all. As if the powers specifically granted in the act were not enough to make him the undisputed master of American industry and finance, tucked away rather inconspicuously in the body of the bill there appeared this provision, entirely unexampled in the legislative history of this country, and I commend it to the attention of the constitutional lawyers of the House:

Provided, That the powers specifically enumerated herein shall be deemed in addition to and not in limitation of any implied powers granted in this act.

Where would have been the limit to the powers that Mr. McAdoo could have exercised under such a provision as that? Do you realize what it would mean to concentrate such powers in the hands of one man? Take the first of them only, that of the extension or the refusal to extend credit to the amount of \$4,500,000,000. It is difficult for gentlemen, even those who have been dealing in these vast amounts in the last few months, to realize what a credit \$4,500,000,000 means. Let me give you a very few illustrations of the vastness of this sum. Possibly you are familiar with some of them. It would be equivalent to an expenditure at the rate of nearly \$4.50 a minute for every minute that has elapsed up to to-day since the birth of Christ. It would be four and one-half times as much as it ever cost this Government to live in any year hitherto. It would be about equivalent—and I shall ask my colleague from Nebraska [Mr. SLOAN] to correct me if I am wrong, because I heard him cite these figures—to the combined national and State debt, together with the debts of every county, city, village, and township in the United States before the war. That is substantially correct, is it not?

Mr. SLOAN. Add together the national debt and all State, county, and municipal debts.

Mr. LONGWORTH. It would have financed three times over the Boer War in Africa. It would have financed three times over the total cost of the Crimean War. It would have financed twice over the total cost of the Russo-Japanese War. It would have come within 30 per cent of financing the entire cost of all the Napoleonic wars, which lasted more than 22 years. It would have come within 40 per cent of financing the entire cost of the Civil War. And it was proposed to grant to one man, at his own request, the power to manipulate this huge sum as he pleased. In addition to this, it was proposed to give him the power to grant or withhold from any firm or corporation the right to borrow money to the extent of more than \$100,000. Pause, gentlemen, and reflect for a moment upon what that would mean. You will all remember the investigation authorized by this Congress some years ago of the so-called Money Trust, during which the fact was developed, or it was alleged to have been developed, through cross-examinations of Mr. J. Pierpont Morgan, of Mr. Baker, president of the First National Bank of New York, and some other master financiers, that there existed a coterie of men in this country, consisting of themselves and 9 or 10 other individuals and institutions, without whose consent it would be difficult, if not practically impossible, for any corporation in the United States to issue securities to the extent of \$10,000,000. Gentlemen on this floor orated themselves black in the face about the danger of the concentration of such powers within the hands of a small number of individuals. What will you say to concentrating a power vastly greater in the hands of one ambitious man? These two powers—that of controlling credit and that of controlling the issue of securities—would have made of Mr. McAdoo the arbiter of the business and the finance of America. No war lord in history, no Czar or Kaiser, ever had such power as this. He would have been in position to make or break men, to make or break corporations. He could build up or destroy communities. His smile could have made a State blossom as a rose; his frown could have made of it an industrial wilderness.

The mere transmittal to Congress of such a bill is illustrative of the danger every day growing in menace to the institutions bequeathed us by our fathers. I mean the continuous reaching out by the Executive for more and more power. It is a danger not lightly to be passed over. It demands the prayerful consideration of thoughtful legislators. On about the same day this bill made its appearance in this House, and you will all remember that my genial friend from North Carolina [Mr. KITCHEN] was not very enthusiastic about it at the time, a bill known as the Overman bill made its appearance in the Senate, also prepared at the other end of the Avenue, designed to turn over to the President the power to remodel our system of government in any way he saw fit. I do not think it is an exaggeration to say that if these two bills had passed in the form in which it was hoped and intended they should pass, the Congress of the United States might just as well have abdicated. Possibly we might, as a matter of form, have been called together once a year to vote appropriations of forty or fifty billion of dollars to the Executive, but beyond that we would not have had any excuse for existence. If it were contemplated to found a dynasty in this country, no more effective steps could have been taken to that end than by the passage of these two bills as originally drawn. No one contends that the Executive should not have extraordinary powers in time of war. No loyal man in Congress will refuse to grant to the President or to his subordinates, within or without the family circle, all the money necessary to the prosecution of the war to the limit, but thoughtful men must realize that second only to defeat is the danger that when this war is over it may be found difficult, if not impossible, to restore the Government to its ordinary status in time of peace, with all of its checks and balances in full force and effect necessary to the Government of a free people.

Congress owes it to itself, we owe it to the people who sent us here, to see to it that our grant to the Executive of money and power, while generous even to the point of bringing Executive domination during the war, must not be permitted to lead to Executive usurpation after the war. [Applause.]

The Committee on Ways and Means has been fully alive to the grave dangers of this bill, as I hope the committee which will have charge of the Overman bill will be alive to its dangers. We have consulted together, as the chairman said this morning, for days and days; we have considered this bill section by section, line by line, and word by word. We have hacked it and pruned it and remodeled it, until now all of us feel that while we have given to the Treasury Department and to the Secretary all the machinery necessary to the proper financing of the war, the features dangerous to the perpetuation of American institutions have been eliminated. [Applause.]

I will not undertake to discuss the present bill, except as to four or five cardinal points. In the first place, we have pro-

vided for two committees instead of one, and have divided their responsibilities. We have taken from the Secretary of the Treasury the power to appoint either of those committees. We have limited the amount that can be advanced. We have taken away the absolute power to license or refuse to license the selling of securities and, except in a case where it may be necessary for the development of a fixed line of policy, we have taken away the veto power from the Secretary of the Treasury. Now, all of this, gentlemen, has been accomplished without a word of politics, without a suggestion of partisanship, without a division based in any instance upon party lines. This complete absence of partisanship, and that has been characteristic of the deliberations of the Ways and Means Committee since a state of war was declared, is particularly noteworthy, because it is the first time in this country that the Ways and Means Committee has not divided on partisan lines.

Scarcely ever before has any measure of major importance come from that committee except where a partisan division has taken place. Indeed, most of the great finance and revenue bills have for years been framed by the majority without consultation even with the minority. Take the Payne bill, for instance. When we framed it not a Democrat was permitted anywhere near the committee room, and the Democratic Party returned the compliment in not permitting us access to the committee room when the Underwood bill was being framed. But in this emergency, from the beginning until now, and the chairman will bear me out, there has not been in subcommittee or in full committee one single division based on party lines. [Applause.] Republicans have voted not as Republicans; Democrats have voted not as Democrats; they have voted only as Americans. [Applause.] That same forgetfulness of partisanship has been characteristic of the actions and deliberations of this House upon all war measures.

Let me recall to you the eloquent valedictory of our honored Speaker on the closing day of the last session, when he said:

I think every Member of this House has contributed all that was in him to the support of the Government of the United States in this great emergency. So far as I have been able to observe, and I have observed very closely, partisan politics have been temporarily banished from this House. I think every man has given the utmost patriotism to the service here.

And over in the Senate the distinguished Senator from Mississippi, formerly the leader of his party in this House, and perhaps the leading spokesman to-day of the administration, said this:

Are we not all trying to do our very best? Is there a Senator on either side of the Chamber who is not behind the American people in this war, except a few fool pacifists that have now pretty nearly passed out of political existence?

But since the question of this fact has been raised on this floor and elsewhere, I intend to very briefly recapitulate the legislative action of the Republican Party upon all war measures passed at this and the last session of Congress. Summed up in a sentence, gentlemen, since the day war was declared, and even before that, when it had to do with any question of preparedness for the national defense, the Republican Party, whenever called upon in the interest of the efficient prosecution of the war, has stood behind the President of the United States with practical unanimity. [Applause.]

Furthermore, its support of the administration's war program has in every case been at least as effective, and in some cases it has furnished a larger proportion of supporters than the President's own party. There was one measure, for instance, which for far-reaching importance stands out above all others enacted in the last session of Congress, the measure asked for and urged by the President as absolutely essential to our effective participation in the war; I mean the selective-draft law. Had it not been for the fact that the Republican Party gave to the President in that crisis even more effective support than did his own party, that measure might never have been enacted into law, and our position to-day, in all probability, would have been little less than a national humiliation. The committee in charge of the bill could not muster the votes necessary among the majority to report it to the House, and when a leader was sought to pilot it through the President could find no member of his party willing to assume charge, and he was forced to apply to a member of the Republican Party, the Hon. JULIUS KAHN, of California [applause], to direct the passage of the bill through the House. How well he led it is illustrated by the fact that while at the outset, as you will remember, it was freely predicted that the selective-draft measure would fail, yet on its final passage it received 313 votes for and 109 against it. Of the affirmative votes, Republicans contributed 169 and Democrats 144. To the opposition Republicans furnished 42 votes and Democrats 67, so that the plurality of Republican votes for the selective-draft act was 127 and of Democrats but 77. In other words, 25 more Republicans than Demo-

crats voted to support the President and 25 more Democrats than Republicans joined the opposition to the President.

I have given these figures not in criticism of gentlemen, Democrats or Republicans, for voting against the selective draft, but in answer only to the charge or the suggestion that Republicans have not at all times supported the President of the United States in the efficient prosecution of the war. The fact is that in every measure recommended by this administration for the arming of the Nation and for the filling of its Treasury we have given to the President more effective support than has his own party, and that had he been compelled to rely upon his party only, if we had assumed an attitude of opposition, this Government would be to-day without the means and the men necessary to make our participation in the war anything more than a farce.

From the beginning we have scrupulously avoided seeking any partisan advantage. We have sought to keep politics out of any discussion, and we have succeeded in so far as we have been concerned, but not, unfortunately, in so far as some members of the opposite party have been concerned.

Were it not for the fact that our actions and motives have been called in question on the floors of both Houses of Congress and elsewhere I would not have alluded to the matter that I am going to speak of now, and I do so not with any intent to criticize the majority or of any Member of it, but only in justice to this side of the House. Since we entered the war, gentlemen, nine Members of this House have voluntarily left Congress. Of these, five were Democrats and four Republicans. The resignations of the five Democratic Members were avowedly for one purpose, and one purpose only, and that was for the betterment of their financial condition.

Mr. Adamson is now drawing a salary much larger than he received here, in a life position. Mr. Fitzgerald is, we are all delighted to hear, now enjoying a most lucrative law practice. Messrs. Bruckner, Griffin, and Hulbert are holding extremely profitable offices under the Tammany administration of the city of New York. For this assuredly I do not blame them. They thought it advisable and necessary to make adequate financial provision for the future, and from that point of view they are entirely right. There has not been in my time in Congress a man who has so well, by his distinguished services to his country, earned an assured financial independence that he could never have attained here as has our old friend Fitzgerald. [Applause.]

The reasons for the withdrawal of these gentlemen from Congress were highly laudable, but it can hardly be said that in their present sphere of action they are contributing in any great degree to the winning of the war.

Upon this side four men have left Congress. Theirs was a different purpose, but will you say that it was one less laudable? All four of them left to enter the military service of the United States. They were Gardner, LaGuardia, Heintz, and Johnson of South Dakota. [Applause.] LaGuardia is now abroad. Heintz is in camp at Montgomery, Ala., hoping soon to go to France. Johnson is a private soldier in a near-by encampment. Gardner has "gone west." A colonel, he was demoted to the rank of major at his own request, hoping thereby to get sooner to the trenches. He died a victim to his ambition to render fighting service to this country. [Applause.]

The experience of those who are left has, from a financial standpoint, been obviously unfortunate. Take the situation of my colleague, Capt. Heintz, for instance, and I speak with knowledge of the situation. None too abundantly gifted with the world's goods, his law practice has gone to pieces. He draws no salary either from the legislative or military branch of the Government. Although his name is carried on the roll of this House, although he would have the right to vote if he were here to-day, although his office is maintained in the House Office Building, and the routine business of his district is being transacted, he is not permitted to draw one cent of his salary for clerk hire. Comparisons are always odious, but on the facts as I have stated them, and as you know them, do you not think that we are justified in resenting the accusation that Republicans in this House have at any time put politics above patriotism?

Mr. POU. Nobody has made it.

Mr. LONGWORTH. On the contrary it has been made, and I am about to come to just that point. A Member of another body not long ago made a speech, filled with abuse of the Republican Party and of some of its leaders, and I had hoped that that sort of thing would have stopped there. But more recently unfortunately a Member of this House brought in politics for the first time since the war began, and since the time he did so he has been elevated to the position of leader of the campaign for the reelection of gentlemen upon that side of the aisle. About two

or three weeks ago the gentleman from Oklahoma [Mr. FERRIS] had published in the Record—and you all heard the debate about it—with his announced approval of its sentiments, an editorial written by one Martin H. Glynn, sometime governor of the State of New York, and more recently the chairman of the last Democratic national convention—permanent or temporary, I have forgotten which. Since that time I have seen this editorial published as a paid advertisement in a Washington newspaper, coming from what source I do not know. This editorial is compounded in about equal proportions of venom and falsehood, and it would not be worthy of notice, except for the statement that the criticism of some of the war policies of this administration made by various persons in the last few months is, and I quote, "A well-laid plan, nicely trained and strategically timed. Its purpose, no matter how secretive its sponsors, how insinuating its methods, how seductive its arguments, is to give the Republican Party a majority in the next House of Representatives and pave the way for a Republican President in 1920."

The gentleman from North Carolina [Mr. POU] must admit that that is a criticism of our patriotism here, as Members of this body.

Mr. POU. Mr. Chairman, when I inadvertently stated a while ago that nobody had made the charge I meant that so far as I recollected no gentleman on this side of the Chamber has impugned the patriotism of any other gentleman on that side, and I think I am safe in saying that is so. I was not speaking of any quotation from any outsider.

Mr. LONGWORTH. Ah, but that is not a quotation from an outsider; it was brought in by a responsible leader on that side, with the definite statement that he approved and indorsed it.

Mr. MADDEN. And reintroduced when his attention was called to it.

Mr. LONGWORTH. Reintroduced; and he had it read here in his time, taking 20 minutes to have it read, so as to more fully impress it upon the Members of the House and upon the galleries.

Mr. MOORE of Pennsylvania. And he admitted that it was partisan.

Mr. LONGWORTH. He admitted that it was partisan, and that he himself indorsed it, and since that time he has been made chairman of your campaign committee. I acquit every one whom I see before me of any such statement as that. I am only pointing out that we on this side have the right to resent the introduction here by a leading man on that side of that sort of stuff.

Now, in the first place, the crass silliness of such a proposition is evident from the fact that the most vigorous criticism of the war policy of this administration has come, not from Republicans at all, but from rock-ribbed militant Democrats like Senator CHAMBERLAIN and Senator HITCHCOCK, Henry Watterson and Desha Breckinridge, who demand the instant removal of Secretary Baker, all of whom have been more outspoken in their criticisms than any member of my party. Do you suppose that any of these men are animated by a desire to elect a Republican House of Representatives? Why, it would be easier for a camel to traverse the eye of a needle than for any Republican to get the vote of any one of them for any office. I make the positive assertion that any criticism of the war policy of this administration, so far as my party is concerned, any suggestion of weakness or inefficiency in the conduct of the war voiced by any one of us from the beginning until now, has been made with one object, and one object only, the speeding up of the war. [Applause.]

There is only one issue in America to-day, my friends. It is the winning of the war and the winning of it speedily. To it all selfish considerations, all questions of partisan advantage, must bow. You of the majority party have control of the fighting machinery and the purse strings of the Nation. How can we of the minority best help you to make the men, the arms, and the money count. That is the only thing that concerns us. Can we best help by blindly following your leaders in every case, or can we best help by backing you to the limit when you are going in the right direction, but offering advice, suggestion, and criticism when you are going in the wrong direction or in no direction at all? That is the only problem we have, and I think there is but one answer. I hold that it is not only the privilege but the patriotic duty of Republicans in this hour, while backing the administration vigorously when it is right, to criticize it fearlessly when it is wrong. [Applause.] May I not, gentlemen, on this point quote from an article written by one of the best known men in America, probably one of the two or three leading Democrats in this Nation outside of public office? Mr. Henry Watterson, "Marse Henry," the veteran editor of the Courier-Journal, wrote an article which appeared in the Washington Post the other day. I will only quote very

briefly from it. In speaking of what he called the "helmskelter, ragtime press," meaning those papers which act as he describes them as "special pleaders for presidential policies," he said:

Here is a typical expression of the newspapers which having no opinions would deny them to all others. I find it in the Tennessean, of Nashville, and it reads as follows:

"Moses led the children of Israel 40 years in the wilderness because the Israelites had faith in Moses. When that faith waned for a moment Moses lost control of the Israelites. When faith was restored the people followed their leader. When their faith waned, calamity befell them. When they believed their leader, God smiled upon them, and they were cared for in that their every wish was granted. So must the American people place their faith in the Moses who is leading them out of the wilderness. Believe that Woodrow Wilson is our leader and that he knows the road to the promised land. Follow him with the faith of a child. Do his bidding in all things, and ours will be the victory."

Of these sentiments Col. Watterson said:

This is something worse than hero worship. It is fetish worship. After it servility could go no further. Fatuous, blind folly could offer no counsel more unpatriotic and unworthy. The writer forgets the free institutions of his country and proposes in lieu of them a cartel to Mexicanize the Government and Diazify the President. Except that the words have many echoes and appear to be a part of a cult organized, engineered, and dominated from Washington, they would not be important.

I do not believe there is a man in either House of Congress who in his heart of hearts will not admit the justice of Col. Watterson's characterization of that kind of flap doodle. If this is one of the many instances that continually crop out of little men trying to curry favor with a great one, then it is a matter of no importance at all; but if it is part of an organized cult to engineer and disseminate news from Washington, then it is a mighty serious thing. If there is here in Washington a publicity organization the purpose of which is to disseminate half truths, to tell only one side of the story, to exaggerate our successes and depreciate our failures, so that the people may be lulled into a false sense of security, then we have a source of real danger to the Republic. This is no time for half truths, my fellow countrymen. This is no time for concealment of the facts. If there ever was a time for pitiless publicity it is now. [Applause.] Whether it helps or hurts parties or individuals or presidential ambitions, the closed season for the truth ought to be declared off. This is not the President's war. It is not the war of the Democratic Party or any other party. It is the war of the American people. [Applause.] We stand by the President not as an individual, not as a party leader, but because he, for the time being, represents the American people. Our loyalty is pledged not a person but to the country and the cause. True patriotism in times like these should be evidenced not in mere empty professions of loyalty but in making that loyalty count in the actual winning of the war. [Applause.] Can that be best done by an attitude of fawning servility to those in the seats of the mighty or by constructive criticism of our shortcomings and suggestions of improvement? That is the question, and there ought to be but one answer. If the President in his magnificent isolation from the common people, an isolation among rulers comparable only to that of the Mikados of ancient Japan, is to be immune from criticism of his acts and the acts of his subordinates, then we must fight this war as no other war in history was ever successfully fought.

Criticism more bitter by far than that ever directed by anyone at this administration has been leveled at the responsible heads of other nations since the beginning of the war. Read the debates in the House of Commons and in the Chamber of Deputies and you will see what has been said here in criticism of this administration in comparison with what is being said there of their Governments is mild as the cooling of a dove. In England the personnel of the cabinet and the heads of the army and the navy have been changed time after time. In France seven ministries have fallen, and yet every change has brought an increased efficiency and power to the arms of the allies. Let us thank God for that. Were England's navy of less overwhelming power; were the armies of England and France on the west front less strong and efficient than they have become as the direct result of the criticism of weakness and inefficiency, it is not pleasant to think of the predicament in which we would find ourselves to-day.

At home criticism has not been partisan. It has come from members of both parties alike. The demand for investigation of certain executive departments has not been partisan. Upon the whole the result has been most salutary. Many improvements have been made, some grudgingly it is true, but all contributory to our fighting efficiency and strength. It has brought about the abolition of a good deal of red tape; it has done something toward a better coordination of overlapping powers, and it has in several instances resulted in the removal of incompetents and a substitution of strong and efficient men. These

things have not come merely through the process of evolution. They are the direct result of criticism of weakness and inefficiency, and in their revelation through congressional investigation brought about, in most cases, by our insistence for light.

Will anybody say that we have been less patriotic than he who says, "I blind my eyes; I stop my ears; I have no opinions; I am abject; let Moses do it"? [Laughter.] In all that I have said, all that I shall say, I utter not a word of criticism of the general course of the Democratic Party in this House. I would be criticizing myself if I did, because your course on all war measures has been my course. I do not intend to offer any criticism to-day of the executive branch of the Government as administered by your party, but I insist that I not only have a right but that it is my duty as an American citizen to offer such criticism if it is intended or calculated to speed up the winning of the war. [Applause.]

I might most respectfully suggest, as my party has suggested, that much of the inefficiency and failure of the War Department to produce definite results is due to its various boards and committees, some with more and some with less authority, with conflicting power and jurisdiction and consequent chaos of administration, and that efficiency and order could best be had by the creation of a department of munitions and the coordination of all these overlapping functions under one head.

I have yet to hear a valid argument against it. Every argument for governmental inefficiency, conscious and unconscious, is in its favor. I doubt if you could sum up better in one sentence a more conclusive argument in favor of a munitions department than this. I quote:

I have a great respect for boards and commissions in peace times. I think they are very desirable. In war times I do not know of anything that is less desirable.

Those are not my words, gentlemen, they appear in the hearings on this bill before the Ways and Means Committee. They are the words of Mr. McAdoo, Secretary of the Treasury. They might just as well, they might better have been, the words of Mr. Secretary Baker. But it all depends, even in times like this, whose ox is gored. This administration declines to accept directly our suggestions with regard to the creation of a department of munitions or other reforms in the general conduct of the war. They counter with the suggestion that some of these changes will probably be made if only we will give the President authority to remodel all departments. They are not satisfied with anything less than the Overman bill.

I repeat that this incessant reaching out for legislative functions on the part of the Executive, this inordinate greed of autocratic power, is a menace to the very foundations of our system of Government. We on this side of the aisle do not believe in it, and I am mighty sure that the great majority on that side of the aisle do not believe in it either.

We have played the game square with you since this emergency began, and we mean to keep on playing it square, that this war may end in honor and justice to the United States. [Applause.] You may make it a little harder for us by calling us names and impugning our motives, but you can not prevent us from supporting you to the limit on every measure designed to win the war. We believe that there are men in our party who could help to win if you gave them positions on the regular team instead of keeping them on the side lines. We think you would do better if you played the game the way our allies play it, where the question is not, Whom did you vote for in the last election? but, Are you fit to render service to your country in this time of need? [Applause.] It is not the question of whether a man calls himself a Democrat or a Republican that ought to count to-day.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. LONGWORTH. Mr. Chairman, may I have three minutes more?

Mr. MOORE of Pennsylvania. Mr. Chairman, I yield three minutes more to the gentleman.

Mr. LONGWORTH. It is not whether a man calls himself a Republican or a Democrat that ought to count, it is whether he is true blue American from his hide to the marrow of his bones. The true test of loyalty in these days lies not in mere empty protestations of devotion to the administration. It depends on whether with his body or his brains he is contributing something to the cause. Let us on both sides of this Chamber stand together on every measure which will help to win the war. Let us not play politics, let us not accuse each other of playing politics. It is a matter of mighty little importance whether the Democratic Party or the Republican Party shall control the next House of Representatives, except only in so far as that control

may help or hinder the speedy winning of the war. [Applause.] If the next House shall be Republican, it will not be because we have played politics. It will be because the American people believe that the Republican Party is of all parties the best fitted to legislate to bring about efficiency, speed, and power in the conduct of the war and in the solution of the tremendous problems that lie before us in the period of reconstruction.

Just one more word, and I am through. These are days when the wisdom and truth of the saying of a great American statesman are especially apparent: "He serves his party best who serves his country best." [Prolonged applause.]

Mr. RAINEY. Mr. Chairman, I yield to the gentleman from Tennessee [Mr. HULL] such time as he may desire.

Mr. HULL of Tennessee. Mr. Chairman, the speech of my distinguished friend from Ohio [Mr. LONGWORTH] is but another evidence of the entire absence of partisanship in this House during the present war(?). I say that, provided you accept certain statements made by the gentleman protesting any disposition to inject politics into the affairs of Congress at this time. My view has been that each individual and each political party during periods of war should be permitted to raise political questions whenever he or they may see fit. They lose rather than gain by it. The country will judge individuals and parties and appraise their services by what they do in support of the war rather than by what they say of a political character while the war is pending. For my part, I have no disposition—I am really unable to warm up to any kind of a political speech during this serious and critical stage through which our country is passing. I feel, therefore, somewhat of a sympathy for any gentleman who can either get up and undertake to inject politics into our affairs—that is, for politics' sake—or who can find enthusiasm with which to applaud such utterances. This is especially true, Mr. Chairman, while we have under consideration one of the most important bills, one of the most far-reaching war measures that has been before Congress during the present war.

I had hoped that my distinguished friend from Ohio [Mr. LONGWORTH] would give the House the benefit of some of the splendid financial wisdom and the large storehouse of economic information which I know he possesses, and I remained on the floor very intensely listening, expecting to have the benefit of that kind of an address. I know that not only myself but the House was disappointed when we failed to hear the views of the gentleman with respect to the many extremely important provisions in this bill.

Mr. Chairman, the problems with which this bill deals are closely related to and intimately associated with the great general problem of financing the war. The Government must provide in the soundest and most practical way for its daily cost. At the outset I desire to call attention to two important facts which relate to this bill. One is the general agreement among financiers and business men that the relief which this measure contemplates is both urgent and necessary. The other is that those who have withheld whole-hearted approval of the bill have failed to offer an adequate substitute remedy. The conditions which urgently call for financial relief by this or some similar special method are not common to this country alone. Similar emergency conditions have arisen and been dealt with under different plans in each of the important commercial countries at war.

It therefore becomes imperative, Mr. Chairman, that a new and additional method—an unusual kind of Government cooperation—should be devised to meet new and extraordinary conditions in this country resulting from the war. We should no more consider this method of rendering financial aid in time of peace, however, than we should refuse to consider it or some similar plan to meet unavoidable business necessities in time of war. There is no plainer proposition than that the financial resources of the country must be conserved and mobilized to the end that the entire financial power of the Nation shall be centralized behind the war. This embraces the conservation and mobilization of labor and all kinds of supplies, as well as money and credit. These are only secondary to the mobilization of the Army. Money is only the agency for securing these necessary supplies, both by paying labor to produce them and paying for them after they are produced. It is of interest to note that in all important countries at war both money and credit have been placed practically at the disposal of the Government. A similar course is imperative in this country in the interest of the prompt, vigorous, and comprehensive prosecution of the war. The effect of this preemption of money and credit by the Government will naturally be to deprive even that portion of our financial and industrial concerns whose continued and successful operation is likewise necessary for the conduct of the war, or is in the national interest, of a substan-

tial amount of financial aid which they must have. Who, then, can and should see that they get necessary relief?

Mr. Chairman, it is well known that in time of war the activities and demands of businesses which contribute to its prosecution are greatly increased. The practical doubling of prices of commodities correspondingly increases their financial requirements. During normal times we have always done an immense credit business in this country. Business, however, has been able thus far to supply its financial needs from the public and from existing banking channels.

The Federal reserve banks, the national banks, the State banks, private banks, and the trust companies, together with the public, have at all times been ready and able to furnish ample credit for all business needs. The supply of money and credit heretofore available for investment, however, has now been channeled to a measurable extent—and must be more so as the war continues—toward the United States Treasury, through the agency of either taxes or bonds. While the banks will naturally undertake to assist their regular customers as heretofore, and the Federal Reserve System will in turn endeavor to accommodate the banks in these undertakings, it is entirely apparent that increased business activities will require additional credit not now available, and furthermore it is evident that even this character and amount of regular banking aid will not be sufficiently available to certain businesses and classes of business, the continued operation of which is essential, directly or indirectly, to the successful prosecution of the war—indirectly, or in the national interest, in the case of savings banks, for example, and directly in the case of war industrial concerns. Under existing law many of these businesses are denied financial aid through our Federal Reserve System, because Federal reserve banks are not allowed to rediscount paper, the proceeds of which have been used, or are to be used, for permanent or fixed investments of any kind, nor can they rediscount paper having a maturity of more than 90 days in most instances.

Mr. Chairman, these business concerns, as a rule, possess the most satisfactory securities for collateral, but the prohibitions just stated oblige them to turn to the public or to the other banks, which latter are now unable to furnish the necessary aid and at the same time retain liquid assets sufficient for their own soundness and stability; hence they must themselves turn to the Government or to some agency created by the Government for relief. Railroads, including all public utilities, individuals needing credit on long-term paper to buy war bonds, war industries which manufacture or produce supplies immediately required for war purposes, banks which have already furnished aid to these classes of business and industry to such an extent that they either require aid in turn or aid to enable them to continue thus to render financial assistance in their respective localities, present a new situation of credit requirement which must be provided for by some additional and unusual method. The situation and attitude of the Government, as I have described, is such that the duty of providing this new and independent source of credit by the best means possible devolves upon it, just as it has fallen on other Governments.

Mr. Chairman, the Treasury worked out the method deemed most desirable and practicable and embodied it in a draft of a bill which was sent to the chairmen of the appropriate committees of the respective Houses of Congress and by them introduced. That bill is now pending in modified form. It has been properly subjected to close scrutiny, both in and out of Congress. Both its plan and its purpose have received more or less criticism, some constructive and some destructive. The chief objection offered has related to inflation and to the possibly injurious effects the operation of the proposed corporation might have on our Federal Reserve System. Some critics appear to underestimate the necessity for the creation of this or a similar temporary and supplemental method of war financing. It is purely supplemental to our existing methods and facilities for supplying money and credit. In reply to the criticisms and objections offered, we do have the satisfaction of knowing that the method proposed by this bill is sounder, better, and more practicable than any similar method adopted for a like purpose by any of the other important countries at war.

It is proposed temporarily to weld, as it were, this method on our present national machinery of finance, with the purpose that it shall cooperate and articulate with existing financial agencies. Let us look at the principal objections offered against it, which are inflation and possible injury to the satisfactory operation of the Federal Reserve System—the fear that Federal reserve banks may become overstocked and "locked up" with so-called "dead securities," and that their notes might fall into disfavor.

As to inflation, it may be said that inflation would also arise if the financial aid necessary should be rendered by our regular

banking agencies. This would be unavoidable in either event. As to fear of injury to the Federal Reserve System by allowing, under certain restrictions, rediscount and note-issue privileges to the bonds of the corporation, it may be said that this fear did not seriously arise when it was proposed to give similar privileges to our nearly \$6,000,000,000 of war bonds, nor has such fear seriously arisen since they have been floated. The Federal Reserve System has been so carefully administered that only about \$300,000,000 of this total issue has been allowed to come into the Federal reserve banks as collateral for advances for loans. The bonds of the corporation are not to be the direct basis of note issues. But, just as in the case of liberty-bond transactions, member banks could, under this bill, rediscount at Federal reserve banks their 15-day notes secured by short-term bond of the corporation, or the 90-day notes of their customers secured by such bonds. In other words, reserve banks can not buy them and issue notes against them as they would against bonds bearing the circulation privilege. Of course the reserve bank system will safely control the volume of discounts and note issues as they now do. They now have a 67 per cent gold cover for outstanding note issues.

Mr. Chairman, the successful flotation of the bonds of the corporation are virtually as necessary as the flotation of our war bonds, for the reason that the Government would otherwise be obliged to render financial aid, such as this bill proposes, out of the proceeds of war bonds. With the restrictions prescribed by this bill and others which the Federal Reserve Board is authorized to prescribe, I am unable to see any reason for fear that the Federal reserve organization, under its continued careful and safe administration, would suffer material injury from the operation of this corporation. This is especially true when we reflect that the general underlying theory of this bill is that no business or financial concern may invoke the aid of the corporation so long as it may be able to procure such aid from the public or regular banking sources on practicable terms. I am sure the affairs of the corporation will be administered in this spirit.

Mr. Chairman, it is true that the great desire of all banks during the war crisis is to keep their assets as liquid as possible. At each stockholders' meeting in England, France, and other countries the officials have pointed with pride to the manner in which they have during the year past maintained a sufficient level of assets that were liquid. All banks in this country feel the same way. They naturally desire to lend all financial aid possible through the handling of liquid assets, and such additional but limited aid as they may feel justified in offering upon long term and other paper which is good and solvent. The owners of large portions of the billions of long-term paper outstanding in this country are wholly unable, under existing conditions, to secure the necessary amount of credit on it either for the most urgent war business needs or for the purpose of investing in liberty bonds. The new method of finance proposed in this bill is intended, among other things, to give recognition to this class of paper to such an extent as may be deemed feasible and necessary.

The question of inflation of credits interposed against this bill is one of never-ending discussion and difference of opinion. Few people agree on the question as to when legitimate expansion ceases and injurious inflation begins. Still fewer people agree as to each of the causes and effects of inflation. Without stopping to enter into this ceaseless controversy, I may say that it is impossible for any country to finance a war such as the present one without more or less inflation. The evils of this necessary amount of inflation have in the past proven of less consequence and less insurmountable than the still greater evils that would otherwise have resulted. It has been made plain, if it was not already plain when we entered the war, that it could not be financed from taxation alone, which would have prevented inflation, nor from the added help of borrowing to the extent of the amount of savings and money available for investment, which also would have prevented inflation. It is claimed that legitimate borrowing would require the amount loaned to the Government to be matched by an equal amount of spending power relinquished by the people, and that to go beyond this means inflation. It therefore follows that inflation can be checked or prevented by savings on the part of the people and by restricting nonessential industries.

Mr. Chairman, the emasculation of the capital issues provision in this bill which would restrict nonessential industries is in this connection greatly to be deplored. I think it would be possible to finance the war on taxes and legitimate borrowing if the people could be induced to readjust their habits and industry speedily enough to conform to the great preparations for war which must immediately be made. Our annual savings should amount to \$12,000,000,000 or \$15,000,000,000. To the

extent that our economic conditions are not so adjusted to war requirements the inflation complained of will probably arise in some form.

Credit, not currency, inflation threatens us most. While our stock of money on March 1, 1918, was \$1,205,000,000 in excess of the stock on hand March 1, 1917, it must be noted that the increase of money in actual circulation was only \$508,000,000. Both the \$500,000,000 of gold turned in for Federal reserve notes and the notes themselves are embraced in the figures for 1918. This in a sense is duplication. It is said that to avoid inflation of currency, it can only be issued against gold or commodities; to issue it against nonproductive property, or commodities immediately destroyed or consumed would be inflation of currency. The needs of business and not the needs of the Treasury should always determine the amount of currency issued. While we point to the horrible condition of inflation in Europe as a situation entirely to be avoided at home, the fact should not be overlooked that they have banking credit inflation over there in connection with the purchase of Government bonds, while in this country the banks to-day only own a small percentage of Government long-term war paper, and the national banks only hold \$280,000,000 of bonds of foreign Governments. The expansion of bank credit in aid of Government loans rather than bona fide borrowing from individuals is to be avoided to the fullest possible extent. The final question of paramount importance in this connection is, through taxation and legitimate loans, to transfer the spending power of the people to the Government to the extent necessary to meet its war obligations. This policy is very different from that possible one recently described by a leading financier as "a pyramid of credit based upon Government bonds and consisting first of individual credit, second of member-bank credit, and finally of reserve-bank credit, all backed by the taxing power and the power to issue money."

Mr. Chairman, to avoid the condition just described, the Government should encourage and in a measure require, if necessary, the people to contribute directly the maximum amount of their savings in money and production while the war continues. Naturally the demands of business and of the war justify a certain amount of expansion. The credit-lending and note-issuing power of the Federal reserve banks is still more than two billions. This will not be nearly exhausted in any event. Under the doctrine that a dollar of credit extended to member banks may be multiplied by five in the lending power of the member banks we have almost unlimited potential banking credit capacity. The first object, however, should be to avoid exercising it to the extent of inflation. This, as stated, can be effected best by saving and increasing production. Production of war supplies can be increased by curtailing nonessential industries and savings effected by putting a curb on personal expenditures. Such course would set free an immense amount of labor, tonnage, coal, and other materials strictly required for war purposes. The most effective means of curbing individual expenditure is by taxation. Taxation either prevents it or provides revenue for the Treasury. A good purpose is served in either event. Our existing war-tax laws go a considerable distance in restraining individual expenditures, but in view of the financial exigencies of the Government they do not go far enough. The immense amount of unnecessary, not to say entirely useless, private expenditures being made throughout the country is open and notorious. The income and excess-profits tax laws, which accomplish most in this respect, should, during the present session, have their rates readjusted and in some respects tightened up and a tax on sales of luxuries or a stamp tax on the order of that in France and certain other countries should be directly imposed on private expenditures for luxuries and other nonnecessities. A stamp tax on the receipt of money paid for diamonds, pearls, furs, and many other articles of ornament and luxury would be most timely. A special tax on gifts during the war would likewise serve a most useful end in more ways than one. Nothing is more vital than that these powers of useless expenditure should be transferred to the Government to the fullest possible extent to aid in meeting its sore financial needs. To this end the people of Europe are practicing all kinds of self-denial.

Mr. Chairman, after all is said, inflation, whether of currency or credit, tends to higher prices. Mr. Bonar Law, chancellor of the British exchequer, speaking in the House of Commons on January 29, 1918, relative to high prices of commodities, said:

The inflation of prices is easy to explain. After the war broke out the supply of commodities was diminished. If there be any falling off in spending power—a reduction of wages—that supply would have been counteracted; but that could not happen. Wages were again raised to meet the increased prices, then prices rose once more and wages were again raised to meet the increased cost. The whole goes around indefinitely.

The bill would provide credits to meet real exigencies to the extent of \$2,500,000,000, comprising its capital of \$500,000,000 paid in by the Government, and bond issues of \$2,000,000,000. Should absolute war-emergency demands require a larger amount now or hereafter, its lending power should be increased to a larger amount. In view of the special and emergency credit demands which must be met preferably by a new and supplemental method of finance, and in view of the Government's obligation and necessities in this connection, and in view of the safety and the practicability of the plan which this bill proposes, it is my judgment that it should pass and pass speedily, and that the Government at the same time should adopt every available resource to speed up production in all essential war lines and to compel savings on the part of the people by such effective means as taxation and reasonable restriction of nonessential industrial activities. We are in the midst of what is possibly a lengthy war. Our financial structure is sound. Our financial position is far stronger than that of any other country. The ablest banker in England, Sir Edward Holden, recently said:

I wish to congratulate the Federal Reserve Board and the bankers of America on having succeeded in creating and building up a banking system which surpasses in strength and excellence any other banking system in the world.

[Applause.]

Mr. Chairman, it is a matter of great pride to note that the financial center of the world which was first at Tyre, then at Carthage, then at Rome, then at Venice, then at Amsterdam, then at London, is now in New York. We are the leading banking power of the world, with more than \$3,000,000,000 of gold. We have a balance of trade in our favor of more than \$3,000,000,000. Our large foreign loans are taken up by purchases from here. We do not have to borrow from abroad. Our purchases from abroad are not large. For three or four years following the war the balance of the world, largely famished and destitute, will be clamoring for each of our innumerable kinds of production. Why should our gold leave us within this period? We have become a great creditor Nation and will continue to be. Business conditions throughout the country are sound. While I would be as far as any person from urging a method of finance inherently unsound as a war measure, or one that would be calculated to injure or cripple our existing financial machinery, I do not overlook the fact that war in its very nature is more or less a test of the strength, the stability, and the staying power of the manhood, the industry, and the finances of the various nations engaged. Unusual exertion of man power, greater and more rapid production of industry, and increased credit facilities, are always required and always forthcoming. If this war is to be an unavoidable test of economic endurance, who is more ready to meet that test than the people of the United States? The financial institutions of European countries at war have successfully borne far heavier burdens than those of peace times or even those contemplated by the exigencies of war. I have confidence in the wise, careful, and sound administrative capacity of those at the head of our various banking institutions, and of those who will be at the head of the proposed corporation, and having that confidence in the proper administration of our banking affairs, I feel justified in the conclusion that the rediscount and note issuing privileges accorded to the bonds of this corporation in this bill would not be abused, but would, at the same time, both add great strength to the paper of this corporation and facilitate its successful operation to a large extent. No abler man has ever directed the affairs of the Treasury than Secretary McAdoo.

The operations of the Treasury and of this corporation should not so conflict as to handicap either. The paper of each, which contains like terms as to interest rates and maturity, should occupy a like position of advantage in the money market. The two should operate so as to reach most conveniently and with least conflict the various types of subscribers with cash available for loans, whether for short or long terms or intermediate periods.

Mr. Chairman, while we should prepare for and proceed upon the theory of a lengthy war, and while we do not in this country contemplate reaching the condition of financial stress under which other countries at war are to-day laboring, still it is a matter of special interest to glance at their financial methods adopted in large measure to meet conditions similar to those which this bill has in view. It will first be seen that the amount of money in the world has increased from \$12,500,000,000 in 1912 to \$32,500,000,000 at the close of 1917. We also find that the note circulation of the 11 European countries at war, over and above the specie reserve held against them, increased from \$1,125,000,000 in 1914 to \$13,640,000,000 in 1917. Russia, France, Germany, and Italy have been constantly increasing their uncovered paper circulation in the order named. The

increase in the gold stock of the world has not been above normal. This expansion of currency, of course, is in addition to the huge expansion of banking credits.

Russia's methods of war finance have been reduced virtually to a printing-press proposition. Prior to the war the Russian State Bank had the authority to issue \$230,000,000 of paper without gold cover. This limit has been enormously raised. Her entire paper money increased from \$815,000,000 at the outbreak of the war to about \$9,000,000,000 recently. For some time the Government has been issuing unlimited quantities of paper, fresh from the printing press, and passing it out direct to all creditors in payment of her obligations.

At the outbreak of the war the limit on note circulation of the Bank of France was fixed by law at \$2,400,000,000. At the time her outstanding note circulation was \$1,436,000,000, whereas it is this year \$4,725,000,000, or an increase of more than three and a quarter billions. The limit on its note circulation has been raised six times since 1914. The French Government, through its treasury and the banks, has rendered from time to time such emergency aid as this bill contemplates. The Bank of France at the close of 1917 had granted to the Government \$3,000,000,000, had aided by subscriptions to the various Government loans, and had also made advances to many different firms by giving credit on securities offered. The Government cooperates with the bank with respect to these latter transactions and, in a measure, aids it in taking care of any losses incurred. The expansion of banking credit in France has been largely in the form of bank notes, which in the main have been put in government loans. This is true of Germany. In Canada a munitions board, to the extent required, finances all concerns producing war supplies by money procured from the treasury or by discounting British treasury bills and getting legal-tender notes.

Germany adopted a special method of financing not very unlike that proposed by this bill, except the German method is virtually a wide-open one, with no restrictions either on rediscounting by the German National Bank or on the note issues against the paper so rediscounted. On January 7, 1918, the note circulation of Germany aggregated \$4,470,000,000, which was covered by \$600,000,000 of gold. Germany has not maintained a gold standard since the outbreak of the war. Germany's ratio of gold to note issues was 25.4 per cent in 1914; 29.7 per cent in 1915; 22.4 per cent in 1916; and 14.9 per cent in October, 1917. This ratio has been considerably lowered since that time. The paper currency of Germany of all kinds has been increased from \$500,000,000 at the beginning of the war to \$4,500,000,000. Because of the fact that some of Germany's methods of financing the war are considered a greater departure from sound finance than those of some other countries, it would perhaps be of interest briefly to outline her method, which corresponds in a way with the plan of the pending bill, but without the restrictions and safeguards of the latter. At the outset Germany decided to finance her war on paper money and bonds. Her plan was to raise all the paper money required through the National Bank of Germany, known as the Reichsbank, but in case this method should prove insufficient she would utilize the loan banks. The Reichsbank makes loans by discounting bills in the main. Its note issues are covered only by bills so discounted and the cash balance. The amount of notes issued must never exceed three times the cash balance. The law thus fixes a limitation on the issue of notes. There is no legal limitation on the creation of credit balances. The bank was also required to meet the remaining two-thirds of note issues with bills of exchange falling due within 90 days. The treasury bill was not considered a bill of exchange for this purpose prior to the war. Soon after the war commenced, however, owing to the very great curtailment of the usual supply of bills of exchange, and finding it necessary that the Government should secure largely increased supplies of notes from the Reichsbank, the law was enacted in August, 1914, which defined treasury bills as coming within the class of bills of exchange to the extent that they could or should be utilized to cover note issues in all cases where there was a maturity within three months. The result was that the Government could issue treasury bills as rapidly and in amounts as great as it found necessary or saw fit, and the Reichsbank issued a corresponding amount of notes on the basis of these bills as they were needed.

Trouble, however, was found in keeping up the requisite amount of the cash balance, because of the limitation it imposed on note issues. This cash balance not only comprised silver and gold but notes of other banks, including also what were called Imperial Treasury notes. In August, 1914, a law was enacted creating another system of note-issue banks, which were known as the Darlehnskassen or loan banks. They were empowered to make loans by issuing notes. This loan-bank system was a

revival of substantially the previous system of 1848 and the system of 1870 in operation during the Franco-Prussian war. The Reichsbank was authorized by law to include the notes of this latter class of loan banks in its cash balance, and also to treat them as gold, with the result that the Reichsbank could issue \$3 of its notes for every \$1 of Darlehnskassen notes held. It is represented that this loan-bank system which Germany has revived on the three occasions stated was to constitute an agency for making loans, which ought not to be made by the ordinary joint-stock or private banks in Germany. These loans were classified under the name of "dead loans." These Darlehnskassen banks make their loans to all kinds of business concerns, including municipalities, by the issue of Government notes to the extent of from 40 to 85 per cent of the value of the security offered. The purpose of the creation of these banks was to avoid the burdening of the Reichsbank and the joint-stock banks to an extent which would, to use the language of an English banker, "lock them up." The amount of notes issued by the Darlehnskassen banks was \$329,000,000 for the year ending in December, 1914; \$587,000,000 in December, 1915; \$852,000,000 in December, 1916; and \$1,922,000,000 for the year ending in December, 1917. For these same dates the Reichsbank used the following amounts to increase its cash balance: \$217,000,000 for the year ending in December, 1914; \$313,500,000 in December, 1915; \$105,000,000 in December, 1916; and \$326,000,000 for the year ending in December, 1917. These Darlehnskassen notes have been turned into the Reichsbank in payment of war loans to a very considerable extent for a time, but to a much smaller extent recently. Nearly 28 per cent of the first loan was thus paid. The States and municipalities have been heavy borrowers of these notes. Likewise individual concerns, including especially the manufacturers of munitions, savings banks, and many trading concerns, as borrowers have utilized these notes to a very great extent. With these Darlehnskassen notes included, the total issue of paper money of Germany in 1917 was \$4,920,000,000. According to the balance sheet of the Reichsbank on December 31, 1917, the bank was utilizing as a cover for its note issues Darlehnskassen notes to the extent of \$326,000,000 and treasury bills to the extent of \$3,649,000,000.

It is thus seen that treasury bills were chiefly relied on. The Reichsbank notes, after being created in the manner already described, are utilized by joint-stock banks when received as a basis for the extension of further credit. The situation is that the Government is responsible to the bank on its treasury bills and the bank is responsible to the public on its notes. Since August, 1914, the Reichsbank has by law been relieved of its previous obligations to repay its notes in gold. It may further be remarked that the Government discounts its treasury bills with the Reichsbank at the official rate, while the Reichsbank rediscounts the bills in the open market at the market rate, which is always lower than the official rate. It is noted that the German law prescribes a ratio of the cash balance to the notes issued and not to the liabilities, which would also include credit balances. These Darlehnskassen banks are controlled by the Reichsbank. The banks commenced business without capital, but with only note issues. According to the recent announcement of the president of the Reichsbank the German Government contemplates the continuance of these loan banks for a period of four or five years after the war for the purpose of giving persons time in which to repay money borrowed to purchase Government bonds and also to extend credit to other banks which are expected to be in need of help in meeting conditions that will arise after the war. He expresses the view that holders of war loan bonds will to a very great extent seek to part with their holdings in order to secure money to invest in raw materials, factories, and other business concerns at the conclusion of the war, and that this will throw a large portion of the war loan on the market without sufficient buyers, which would result in the depreciation both of the bonds and the securities in general. This plan, however, contemplates a combined plan of joint activities on the part of the Reichsbank and the joint-stock banks and the Darlehnskassen, the idea being that the Darlehnskassen and to some extent the Reichsbank will provide new capital for the absorption of war loans, and in turn the Reichsbank and branches acting in cooperation with the joint-stock banks and their branches will take up the securities whenever offered for sale and thus protect the security market. The securities so taken up would thus gradually be redistributed during a number of years to follow through the agencies of the Reichsbank and the joint-stock banks.

The foregoing would indicate that the German Government entertains the view that it will be impossible to effect a large withdrawal of any of their notes by these special war banks in a shorter time than four or five years. I am unable to secure any data as to the amount of paper issued by ordinary banks in

Germany. I have procured this information relative to these German loan banks chiefly from English financial publications and from a recent financial address of Sir Edward Holden.

Mr. Chairman, the second report of the select committee on national expenditures in England contains this statement:

The Government through the Bank of England and joint-stock banks created large new credits to enable its factories to expand their productions.

The English banking system only provides credit and not currency. When the war broke out in 1914 gold was rapidly withdrawn and additional currency became necessary. The result was that the original act of 1844 imposing legal restrictions on the issue of notes by the Bank of England had to be suspended so that the bank could exceed the legal limit of its note issue, which was accordingly done on a large scale. This was the fourth time in the history of this banking act that the law had to be suspended to meet financial emergencies.

Under the currency and bank notes act of August 6, 1914, the treasury was authorized to issue currency notes through the Bank of England to bankers to a maximum limit not exceeding 20 per cent of the bank's liabilities on deposit and current accounts. The amount of notes thus issued are treated as an advance by the treasury to the bank or banks, bearing interest from day to day at the current bank rate, the security for the treasury advance consisting of the floating charge on the assets of the bank up to the amount of the notes issued.

This same act authorized the Bank of England and any Scottish or Irish bank of issue, so far as temporarily authorized by the treasury and subject to any conditions attached to that authority, to issue notes in excess of any limit fixed by law. These notes, like currency notes, to be legal tender and redeemable in any kind of coin. The Scottish and Irish banks of issue used currency notes as cover for the bank's own notes. Their excess issues of their own notes could not exceed the cover afforded by the currency notes.

During the early stages of the war the English Government made special provision for advances in connection with stock-exchange loans. These advances were to be made through the Bank of England, not to banks but direct to other lenders to members of the stock exchange. These advances were to the extent of 60 per cent of the value of the securities held by such lenders.

The British treasury in November, 1914, organized a committee representing the treasury, the Bank of England, the joint-stock banks, and the Association of Chambers of Commerce, which authorized advances in approved cases to British traders carrying on an export business. When an application for advances was approved, this committee authorized the bankers of such trader to accept a six-months' bill drawn by the trader. This bill was renewable until 12 months after the close of the war or the expiration of the act. The trader could discount this bill anywhere. The Government provided that as to any loss in connection with these advances 75 per cent should be borne by the treasury and 25 per cent by the accepting bank. The cost to the trade was about 6½ per cent per annum.

The Government, in November, 1914, jointly agreed with the Liverpool Cotton Association and the Liverpool banks to guarantee advances made to merchants by those banks. Under this plan persons desiring advances made application to representatives of the cotton association and the banks of Liverpool. The chief purpose of this direct aid was to enable the Liverpool Cotton Exchange to reopen.

It will be seen that the English methods adopted for affording financial relief to different classes of business have been less satisfactory than the proposed method. Moreover, they have had such drastic experience as the moratorium. Sir Edward Holden recently stated that—

If the act (restricting the amount of note issues of the Bank of England) had been repealed, I believe that we might have got through the crisis without a moratorium.

England has made considerable expansion of banking notes, silver and copper circulation, in addition to more than \$1,000,000,000 of new paper currency notes, which latter are declared redeemable in coin, although the actual reserve for that purpose is only \$147,500,000 of gold. She had only \$140,000,000 of these latter notes outstanding in December, 1914. It is thus seen that while England continues nominally on a gold basis, she is not so in actual fact. It is important, however, to note that her financial structure continues stable and there is no lack of parity between gold and other kinds of circulating medium. A movement is now on foot to secure the repeal or modification of the Bank of England act of 1844 so that the bank will be allowed to exceed the limit of its note issue at any time on payment of a tax. The amendment embodies the principles that notes may be created and issued on the security of bills of exchange and on

the cash balance, so that a relation is established between the notes issued and the discount; the notes issued shall be controlled by a fixed ratio of gold to notes or of the cash balance to notes; this fixed ratio may be lowered on payment of a tax; and the notes should not exceed three times the gold or the cash balance. The fact that the Bank of England is divided by law into two parts—the issue department and the banking department—makes the statement of the bank for January 16, 1918, for example, show a percentage of gold alone to liabilities of 19.6 per cent, but in fact the bank's entire amount of available gold was 28.2 per cent of liabilities. The Bank of England has always been allowed to issue notes against a debt due from the Government for several centuries of the amount of \$55,000,000 and certain securities of \$37,000,000. All other notes must be issued against gold. With these three items forming the cash balance of the bank under its statement of January 16, 1918, the percentage to liabilities was in fact 33.5 per cent against 19.6 apparently shown by that statement.

The entire note issue of England during the war increased from \$225,000,000 to \$1,385,000,000. Much of the latter, however, was issued for gold withdrawn from circulation. During the early stages of the war the British Treasury assisted many financial institutions by issuing through the Bank of England currency notes to banks under certain conditions and restrictions. It will be seen that financial aid has been rendered businesses and classes of business at various times and in various ways, both by the British Treasury and by the banks in turn. Some time ago the leading banks made an arrangement whereby credit facilities were allowed the farmers to enable them to purchase the requirements necessary for greater food production. Some recent financial aid the British Treasury has rendered has embraced such direct advances as the bonus to potato growers, \$25,000,000; bonus to miners, \$100,000,000; bonus to munition workers, \$200,000,000; loaf subsidies to make the price 18 cents for 4-pound loaves, \$225,000,000; bonus to railway workers, \$50,000,000; bonus to civil servants, \$15,000,000.

In addition to her increased bank and treasury notes, England takes care of a floating debt of around \$6,000,000,000. Of late England has striven to avoid investment by banks in long-term war bonds. The banks are reported to have contributed \$500,000,000 of the first long-term $3\frac{1}{2}$ per cent loan, amounting to \$1,666,000,000; \$1,000,000,000 of the second $4\frac{1}{2}$ per cent long-term loan, amounting to \$2,915,000,000; and no substantial direct contribution to the third long-term loan of February, 1917, at 4 and 5 per cent. In the United States the banks, as stated, have very greatly reduced their holdings of long-term war securities.

Mr. Chairman, it will be seen from the brief references made to the methods of financing adopted by other countries during the war that the contrast in favor of those of the United States is as great as it is favorable. One of the chief purposes of the proposed corporation is to render such emergency financial aid as the Treasury would in most instances undertake to render for war purposes or in the national interest, but which it can not render in a manner nearly so convenient and expeditious as the corporation, which, after all, is but a Government agency with limited liabilities.

While savings banks are referred to as possibly needing immediate credit facilities from time to time during the war, the mere fact that such facilities are thus made available in case of need will probably obviate any necessity for advances to them. The experience of savings institutions elsewhere where the financial stress confronting them has been greater than that which will arise here confirms this view.

The English postal savings deposits at the beginning of the war were \$940,000,000, while on February 2, 1918, they were \$1,015,000,000. The only other kind of savings banks in England, known as trustee savings banks, have only suffered a loss of deposits to the amount of \$12,500,000. The English postal savings rates have been $2\frac{1}{2}$ per cent from the beginning, as compared with rival offerings for half a dozen different kinds of Government war paper, running as high as 6 per cent at times for exchequer bonds. Only about \$90,000,000 were withdrawn from this latter class of savings institutions during the \$5,000,000,000 loan campaign in February, 1917, while \$120,000,000 were withdrawn during the $4\frac{1}{2}$ per cent loan campaign in 1915. It is evident that any advances our savings institutions might require from the corporation would be very temporary and during some large loan campaign. Deposits in German savings banks during the first 11 months of 1917 were \$825,000,000 gross, as compared with \$575,000,000 for 1916 and \$580,000,000 for 1915. Germany has floated a long-term issue of bonds every six months during the war. In Italy the savings banks deposits increased from \$397,000,000 on July 1, 1916, to \$507,000,000 on October 21, 1917.

Mr. STAFFORD. Will the gentleman yield in that particular?

Mr. HULL of Tennessee. Yes.

Mr. STAFFORD. Can the gentleman give the committee the benefit of his research as to how that difficulty was met by the savings banks of the country when the last liberty loan was floated, caused by the withdrawal of savings funds on the part of depositors from savings banks?

Mr. HULL of Tennessee. I will say to the gentleman it has been difficult to get accurate figures as to the savings withdrawals in this country during the last liberty loan. It has been suggested by those in the savings-bank sections that substantial withdrawals occurred, but no exact figures have been obtainable. Now, in that connection, I call attention to the figures showing the rather satisfactory operation of the savings institutions in England, Germany, and two or three other countries during the war. In Germany, where there have been seven successive long-term loans, in England, where there have been three, in Canada, where there have been several, and in Italy, where there have been about five, the figures which I will not take time to read but will insert in the Record, show that there has been an annual uniform increase in savings deposits under these loan conditions.

Now, it is true that there have been temporary withdrawals, but they have been only temporary. The withdrawals from the postal savings system in England, which is the main portion of the savings institutions, only amounted to \$210,000,000 during both the largest loan campaigns, as I have stated, and the amount was soon replenished. So I feel assured that the mere fact that the savings institutions of the country have available credit for depositors will be practically sufficient to safeguard them against serious withdrawals; and, if the gentleman will pardon me, I say that in the light of the experience of the other countries.

The rate of interest in the English postal savings banks is $2\frac{1}{2}$ per cent. It has never been over that, and yet the Government has been paying interest all the way from $3\frac{1}{2}$ to 6 per cent on the various kinds of war paper it has put out.

Mr. STERLING. Let me ask the gentleman if the withdrawals from the savings banks in this country during the bond sale injured the savings banks at all?

Mr. HULL of Tennessee. I was unable to find any facts or data which indicated serious injury, or inconvenience, or possible injury to them during these past loans. But I agree with gentlemen from these savings-bank sections that the banks are entitled to the benefit of immediate credit facilities to meet any possible withdrawals to such surprising extent as might or could occur during these bond campaigns, or at any other time, as to that.

Mr. STAFFORD. Will the gentleman yield in that particular?

Mr. HULL of Tennessee. Yes.

Mr. STAFFORD. I have received definite information that in some sections of the country there were withdrawals of savings funds to the amount of hundreds of thousands of dollars, and my query directed to the gentleman from Tennessee was as to how the savings banks met the stringency occasioned by the withdrawal of those savings funds.

Mr. HULL of Tennessee. I do not think the stringency was great enough to necessitate any unusual preparation by the savings banks with a view of securing available funds to meet withdrawal demands. In other words, no such stringency has occurred as might occur under the next loan campaign or some successive loan campaign; and it is but natural that they should expect and that they should receive at the hands of the Government such available assistance as possible conditions might make necessary.

Mr. OLDFIELD. Will the gentleman yield?

Mr. HULL of Tennessee. Yes.

Mr. OLDFIELD. I would like to state, and I do not know whether I remember it correctly or not, that my recollection is that this very question was asked of the Secretary of the Treasury and he said the withdrawals had not heretofore been substantial, and, of course, expressed the hope that they would not be substantial under the next liberty loan. That is my recollection.

Mr. HULL of Tennessee. I agree that that is substantially what the Secretary said, and I think it will work out largely that way, in the light of European experience.

Mr. LONGWORTH. If the gentleman will pardon me, that danger would be particularly evident if the next large bond issue should be at a higher rate than 4 per cent.

Mr. HULL of Tennessee. The possibilities of danger would correspondingly increase.

Mr. PLATT. If the gentleman will permit, the savings banks statistics of the State of New York, which State, perhaps, has larger deposits than any other State, have been published in the

last week, I believe, and show that the withdrawals from the savings banks, while greater than the deposits during the past year, were offset by interest credits during the last year. If another liberty loan campaign is waged on a 4½ per cent basis some kind of relief will very likely be necessary.

Mr. HULL of Tennessee. That is a very interesting statement. I am glad the gentleman made it.

Mr. KITCHIN. In that connection I desire to say that while other banks, not mutual savings banks, have increased their individual deposits nearly 50 per cent in the last three years, the mutual savings banks have increased their deposits only about 12 per cent. In other words, the deposits in savings banks in the last 12 months especially has not kept pace with anything like the increase in the deposits in other banks, which shows that something is affecting the savings banks. Now, in June, 1914, the deposits in mutual savings banks—which constitute three-fourths, at least, of all the deposits in the savings banks—were \$3,915,626,000. In June, 1917, they had only increased since 1914 to \$4,422,489,000. In other words, they had only increased about \$500,000,000, and in the stock savings banks their deposits have increased since June 20, 1914, to June 20, 1917, less than \$100,000,000. In fact, they were about \$1,000,000,000 on June 20, 1917, so that something has materially affected the deposits of savings banks. While other banks seem to have been helped, the savings banks seem not to have been helped by any of this war prosperity, you might say.

Mr. PLATT. If the gentleman will permit, would not that tend to show that the wage earners and the smaller merchants, who constitute the bulk of the depositors in the mutual and in the stock-savings banks, have not had as much chance to save as they had before? The deposits in the national banks are made up of credits or loans, but in the savings banks they are largely cash.

Mr. KITCHIN. I will say that in the last 12 months they have had opportunity to make Government investments; that is, they could buy Government bonds and get 4 per cent interest. That is all. They could get, as a rule, less than that in the savings banks that pay the highest rate of interest. So instead of putting their money in the savings banks they have invested in Government securities.

Mr. PLATT. That is probably true of the last few months, but it would not have been true of the 3½ per cent loans.

Mr. KITCHIN. I can see how it would be true as to that, because most of the savings banks do not pay more than 3 per cent interest. What rate do they pay in the State of New York?

Mr. PLATT. The larger savings banks in New York City pay only 3½ per cent, but in the smaller cities they generally pay 4 per cent.

Mr. HULL of Tennessee. Mr. Chairman, it is very apparent that every country at war has had to grapple with problems similar to those to which this bill refers. It is also apparent that the methods by which they undertook to extend relief are not, in soundness and practical operation, nearly so meritorious as the methods proposed in this bill.

I now come to another branch of the bill relating to capital issues. With due deference to the committee—and I always have the profoundest respect for the views and judgment of the Committee on Ways and Means—it is my humble opinion that the capital issues provision as originally inserted in this bill should not have been weakened. It is most unfortunate that the House committee and the Senate have seen fit to emasculate the provision in the bill authorizing restrictions of capital issues. The necessity for this action is grounded upon the whole financial policy of the Government placed in operation for the conduct of the war and is an essential part of the same. It is not only based on the experience of all other important countries at war, but it is a fundamental part of the Government's policy of conserving all possible money, credit, labor, and supplies and concentrating them directly behind the war, as it is also directly an essential part of our Government's loan policy. Offerings of new securities for other than Government or necessary war purposes have been practically suspended everywhere except in the United States.

The real demands of the war relate to the securing of goods and services for war purposes. It follows as day follows night that nonessential industries should not, therefore, expand but that all available labor, materials, and capital above their normal requirements should be diverted to war purposes. The greater the amount of money thus made available for investment the easier can Government loans be floated and the lower will be the interest charges. It is a well-known fact that most of the industries in Austria, Turkey, and Germany not directly connected with the war are either crippled or destroyed. The people are putting their all into the war. Many nonessential industries there have been diverted to war purposes; others have been obliged either to run at a normal or less than normal

capacity or to close down. During the year 1917 in Germany the increase in capital for existing companies and issue of shares by new companies only aggregated \$105,000,000. Twenty-five million dollars of this amount was due to increase in capital by aniline concerns in November. New capital issues in England for the year 1917, apart from Government issues, were between \$30,000,000 and \$40,000,000. It was about the same for 1916. This was less than one-half of 1 per cent of the total, the balance of which was Government issue. No expenditures on new buildings in excess of \$2,500 is allowed there without permission of the treasury. In the beginning of capital issues control in England the officials undertook to halt all construction work involving new capital expenditures until after the war, except for war purposes. The Government has even compensated contractors for damages resulting from a cessation of such construction work. Our original bill allowed an exemption of \$100,000. Prior to the war the issues of new capital in England were more than \$1,100,000,000, whereas under strict Government regulations the amount is now but little over \$30,000,000, making a net saving of toward \$1,000,000,000 to go into war bonds and the production of war supplies. Under like restrictions here the Government would derive far more than \$1,000,000,000 for direct war purposes. Little wonder money and material for the war are scarce, with interest rates increasing.

Mr. Chairman, it is claimed here in support of the view that all nonessential industries and businesses should be allowed to expand and produce war profits ad libitum that the persuasive influence of the proposed capital issues committee will curb them sufficiently. England is cited as having no general express law for this purpose. The truth is that England has a number of statutes expressly authorizing the prohibition of new capital issues as to certain classes of industry, while the power of the treasury to control the stock exchange gives the treasury committee authority equivalent to that of law as to other new capital issues. It has been by these combined means, and only by them, that suitable restrictions have been imposed and carried out in England.

The absolute folly of depending on nonessential industries to observe the persuasive suggestions of a capital-issues board with no authority is better illustrated by the experience of Canada, whose committee was acting under an order in council, which was a law. The law there prohibited either the selling or purchasing of prohibited securities and imposed a penalty of imprisonment for not exceeding one year, or a fine not exceeding \$5,000, or both, in the discretion of the court. In the face of this severe penalty large blocks of new securities were issued and sold without the necessary approval of the committee, with the result that the Government on January 9, 1918, issued another order in council allowing the committee, in certain cases, to give its approval after the issue and sale of such issues in order to save the violators from the penalties incurred. This related to meritorious cases alone. Criticism of the penalty contained in the first draft of this bill for violation of these security restrictions has been made. The laws of France, Germany, and Canada impose penalties equally effective or more so. I herewith append copies of the laws of four other Governments on this subject.

Mr. Chairman, just now the Government is strenuously calling on every citizen to produce and to save. The cry "Produce, save, restrict, or eliminate nonessentials!" is to-day ringing through every European country. The Government must have all available supplies of every kind necessary for the conduct of the war. It is just as necessary, therefore, that money and credit should be conserved, concentrated, and made available to the Government with which to pay for needed war supplies, as it is that they should be produced and made available for the Government's use. Upon what theory, therefore, can the Government call on one class of citizens to save all the money and produce all the war supplies possible and place both at its disposal, while at the same time leaves another class of citizens free to utilize any amount of new capital or labor or material, so vital to our war necessities, in developing all nonessential industries and turning out large war profits to their own enrichment? When we behold the central powers marshaling their entire financial and economic forces behind the war to the practical abandonment of nonessential enterprises; when we see our allies in Europe doing virtually the same thing, with a view to putting every ounce of material, every hour of labor, every dollar of money that can be made at all available in compact, concentrated support of the war, how can we in justice to our allies, much less to ourselves, proceed with indifference as to the hundreds of millions of money, the immense amount of labor, and the large quantities of material unnecessarily retained for the development and expansion of nonessential businesses to the great detriment of our war supplies, our labor necessities in

shipbuilding, and other war-industry plants, and to our money and credit supply so necessary for the floating of large temporary and permanent loans? I fear that we do not yet realize the magnitude of our task. I fear that there is too much disposition to expect others to perform such additional war services, at whatever cost or injury, as would involve some sacrifice or disappointment to those who should perform them.

Naturally, the policy of controlling new capital issues during the war will involve injuries to a business or class of business here and there, but it may be said that this would be infinitesimal to the overwhelming injury that would result to all classes of business and to our institutions as well in case we should unduly protract or fail to win the war by our deliberate refusal to organize, conserve, and mobilize our money, credit, and supplies to that full extent which both our enemies and our allies have already done. Every good citizen should be ready and willing to conform to the necessary restrictions of new capital issues. The law, with its penalties, would not disturb him; every shirking citizen should be compelled to conform to them, and to that end the law should disturb him. Who has a right, therefore, in the interest alone of the business concern that would shirk its duty and violate these regulations, to demand immunity for it? The citizen can not learn too soon the necessity for giving more of his time and money to the Government and less to his own enrichment if we are to win this war.

Mr. Chairman, the pending bill also authorizes the corporation to buy and sell bonds of the United States. It is understood that the chief purpose of this provision is to enable the corporation to make such purchases of outstanding war bonds and at such times as would tend to stabilize the Government loans. I am gratified to see this principle embodied in the bill. It was my individual view that the bond-authorization act of September 24, 1917, should have contained it. Under the operation of such plan I am satisfied the present market situation of our liberty bonds would have to-day been much more favorable than it is. I speak in the light of the experience of both England and France during the past year. The only purpose of this method is to protect liberty bonds from artificial market conditions and to maintain them at their true and real market level, whether in the condition of the investment market that be par or slightly below par. Naturally, many individuals purchased bonds on credit procured at the banks. During recent months a large number have found themselves unable to make payment, with the result that their bonds went on the market at forced sale and at a discount, the inevitable effect of which has been apparently to depreciate the entire issue of first and second liberty 4's, aggregating near \$4,500,000,000. This unfortunate condition now confronts the Government in the face of a new long-term loan which must soon be effected. The result is that higher interest rates are being generally demanded. Fair and reasonable rates of interest should be paid by the Government on its war loans, but the greatest possible care and caution should be exercised, to the end that excessive rates and the great burdens which they would entail on this and the next generation may be avoided. It is well understood that a system of successive war loans carrying a conversion privilege in each case very seriously hampers the Government in its efforts to keep the interest rates at the proper and fair level.

I wish to repeat, Mr. Chairman, that the action of the capital-issues committee in England has all the force and effect of law. It is impossible, under the power which they exercise through agencies which really are as effective as law, for any concern to put new issues on the market in violation of their order.

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield there?

Mr. HULL of Tennessee. Yes.

Mr. GREEN of Iowa. I agree with the gentleman entirely on that. In England it is done by the force of a treasury regulation, as the gentleman is of course aware, and by this treasury regulation they undertake to absolutely forbid such issues as they do not approve, and I think they have succeeded quite completely in enforcing the regulation.

Mr. HULL of Tennessee. I am appending the laws of four countries to my remarks.

Mr. LONGWORTH. May I add right there, is not the Government control of the stock exchange complete?

Mr. HULL of Tennessee. The treasury have complete control of the opening and closing of the exchange, and they would not allow it to be opened after it was closed during the early stages of the war, except on condition that no stock should be handled unless permission was first secured from the capital-issues committee.

Then they have two or three separate statutes which expressly give authority to prohibit stock issues as to certain other classes of capital.

Mr. PLATT. Will the gentleman yield?

Mr. HULL of Tennessee. I yield to the gentleman from New York.

Mr. PLATT. The gentleman is a student of economics. I wonder if he could go a little more into detail into the question of nonessential industries? For instance, England apparently has not discouraged, and perhaps has encouraged certain industries which are not in any way essential to the war, but which are exporting industries. So her exports have been kept up pretty well. Is not that true?

Mr. HULL of Tennessee. Some of her exports have been kept up, but she has a balance of trade against her now of \$2,300,000,000, notwithstanding such volume of exports as she has been able to maintain.

Mr. PLATT. There has not been an effort to shut out industries which are not indirectly connected with the war, though, if they were industries which brought credit to England and extended or maintained her export trade.

Mr. HULL of Tennessee. If the gentleman will pardon me, I am sure he will find, as I have stated, that they have not only imposed severe restrictions on new capital issues for nonessential purposes, but they went at once to every contractor constructing an important building and said, "We ask you to cease this construction until after the war." In many cases the contractors did this; in others they declined on account of the damage involved; and the Government said, "We will pay the damage. We want your new capital, your labor, and your materials to put into the war."

Mr. PLATT. They did not undertake to hold down industries from going ahead as they were, without extra buildings or extra capital, did they?

Mr. HULL of Tennessee. In some instances they have so well restricted and curtailed the operation of large parts of their nonessential industries as practically to put them out of business. They openly say that somebody will have to suffer, somebody will have to make some sacrifices in connection with the general plan of the Government to mobilize all available money and credit and labor and supplies for the prosecution of the war. We do not expect our nonessential industries to go full tilt, expanding, as the war goes on, and make increased profits at the expense of the war.

Mr. PLATT. What they did practically was to stop their expansion.

Mr. HULL of Tennessee. They stopped their expansion and largely denuded them of labor and supplies. The Government put its hands on the raw material at the source and they were soon cut off, and the Government made no effort to help them. It was too busy with the war.

Mr. MOORE of Pennsylvania. As our bill was first presented to the House it was intended to comprehend that sort of a compulsory feature here?

Mr. HULL of Tennessee. Yes. Now, Mr. Chairman, I must hasten along.

Mr. STERLING of Illinois and Mr. FOCHT rose.

The CHAIRMAN. Does the gentleman yield; and if so, to whom?

Mr. HULL of Tennessee. I will yield to these two gentlemen, and then I just must conclude.

Mr. STERLING of Illinois. I conclude that the gentleman thinks this law ought to provide somewhere the power to prohibit the issue of stocks. Now, as I remember, it was repeated before the committee that there was already in operation through the Secretary of the Treasury a voluntary committee, who are acting in substantially the same capacity that this committee will act. Was it not represented to the committee that they were fairly successful and were preventing the issue of unnecessary stocks?

Mr. HULL of Tennessee. The Secretary of the Treasury stated that they had made considerable progress in that class of work. When I looked into the experience over in Canada, however, where a similar penalty was imposed, and found so many different classes of new stock issues put on the market in utter defiance of the existence of the committee and the penalties, and when I reflected further as to the innumerable kinds of industry in this country compared with the smaller number in Canada, it was impossible to escape the conclusion that immense amounts of new capital—it may be of a comparatively small nature in many cases—will be further utilized in these nonessential lines, with the result that a vast amount of money in the aggregate would be lost to the Government in connection with the prosecution of the war.

Mr. STERLING of Illinois. I got the impression, if not the conviction, that the Secretary of the Treasury, through the banks, could make it practically impossible for any very great issue of bonds to be made that even this voluntary committee disapproves of.

Mr. HULL of Tennessee. True as to very great new issues. There will be so many smaller ones that will ignore the committee.

All of such nonessential investments, all of such purchases keep that amount out of shipbuilding, keep it out of all classes of war industry, and you will greatly hamper the strength and capacity of the Government to finance the war at a reasonable rate of interest in the first place, and in the second place it is deprived, as stated, of the labor and materials that would otherwise be available.

Mr. FOCHT. Will the gentleman yield?

Mr. HULL of Tennessee. Yes.

Mr. FOCHT. The gentleman from New York referred a moment ago to the industrial activity of England. I assume that the method employed, or a similar one proposed here has something to do with stimulation of that activity. I was advised, much to my surprise, by a gentleman who knows as much about shipping as any person in the country that the exports from England are now greater than they were prior to the war. I would like to have the gentleman, if he has any such information, confirm it.

Mr. HULL of Tennessee. The chief concern with warring countries in the examination of imports and exports now is to see where the balance of trade is.

Mr. FOCHT. That would have no result in the amount of exports prior to the war and at the present time. They might have much more imports than they had before and still greater exports.

Mr. HULL of Tennessee. If the gentleman takes that question up, he is obliged to go back and allow for the increased values over the value of imports and exports before the war. You may find that the exports are now double in value those before the war, but if you look at the quantity you may find that they are less than they were before the war. It requires an investigation at the different stages as to the actual relative quantity and value.

Mr. FOCHT. I was hopeful to find through the methods here a possibility of the same stimulation that they have had there because of the increased capital and the flexibility of the whole financial situation.

Mr. HULL of Tennessee. I see the gentleman's point now, and it is a good one.

Now, Mr. Chairman, this Government can adopt the stabilizing method proposed in this bill, and I am not criticizing this method, but I am only urging that it should have been supplemented by the English and French methods.

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. HULL of Tennessee. Yes.

Mr. MOORE of Pennsylvania. The Secretary of the Treasury did not approve the setting aside of a sinking fund or the retention of the bonds at par, as I recall it.

Mr. HULL of Tennessee. I understand that.

Mr. MOORE of Pennsylvania. The gentleman is advocating the French method, and I thought it was fair to the committee to say that the Secretary did not approve the adoption of this method.

Mr. HULL of Tennessee. That is true, but I hope to persuade the Secretary that he ought soon to recommend it, and I say that for this additional reason. We have been preaching over this country that persons should purchase Liberty bonds and should not sell them; that the market ought not to be loaded and oppressed with sales when once purchased, whereas in this corporation bill we make one prime function of that corporation, to buy and sell bonds in order to stabilize the market.

Mr. Chairman, as to interest rates, should the war go on for some time, as it bids fair to do, we will later see a general demand arise for higher rates of interest on the loan to follow the coming one. I wish to say something on this subject presently. Some persons say that a stabilizing method creates artificial interest conditions. On the contrary, it would remove or prevent an artificial interest and capital value situation created by the forced sales of a very small percentage of the total volume of bonds outstanding. England set aside each month one-eighth of 1 per cent of the total issue under her last long-term loan, which included \$5,000,000,000 of new money and about \$5,000,000,000 of conversions, for the purchase of these bonds in the market when they went below par. During the past 12 months she has expended near \$140,000,000 in this manner—\$150,000,000 has been set aside—with the result that the four have been at or above par most of the time, while the 5½ per cents, subject to all income tax, have either been kept at or near enough to par as to create no injurious effects on her temporary or forthcoming long-term loans. France has utilized almost the identical method, and it continues in operation without criticism.

The best judgment of the Government and of financiers in England and France has supported this method as the most

effective means of stabilizing their respective Government loans. Those Governments could have adopted the method proposed in this bill or any one of several others, but they still cling to the plan which I have described, and experience has seemingly justified its wisdom and practicability. My individual judgment is that this bill should contain the provision now in it and also the English and French plan. It is obvious that with the forthcoming loan the amount of outstanding bonds will at least reach \$10,000,000,000. From experience abroad, it will be necessary to purchase \$150,000,000 annually for stabilizing purposes. The new corporation, I fear, will be too much engrossed in making advances in other directions, with the result that these pre-emptions of its resources will leave an inadequate amount with which to buy war bonds on the market and stabilize our loans. Combined with this additional method which I have described the corporation would then be in an attitude merely of supplementing the purchases of the Treasury to such extent as might be deemed wise and necessary for stabilizing purposes. This combined plan would save considerable interest. The English method operates as a sinking-fund proposition to the extent of the bonds purchased.

Mr. Chairman, referring again to our rising interest rates, I think it would be unwise to insert another conversion clause in the forthcoming long-term bonds. To continue to do so would result in swinging the entire volume of outstanding war debt to the highest interest level that will be reached during the course of the war. One may say that we could then refund into lower rates of interest in the course of some five year after the war. The answer to this is that no government will be able to refund twenty or thirty billion dollars within any short time at that stage. We might greatly profit here by the course and example of the English Government in dealing with a gradual and certain rising of interest rates at each successive loan stage. Her first long-term loan was floated in 1914 at 3½ per cent; her second in 1915 at 4½ per cent; during the latter part of 1916 the Government was being forced to pay 5½ per cent on treasury bills of 12 months or less and 6 per cent on exchequer bonds of three years. The necessity for another large long-term loan to absorb some of the floating indebtedness and to secure new money confronted the Government. There was a general clamor for higher interest rates on the new loan and suggestions upon every hand that it would have to bear around 6 per cent interest. This outcome was seemingly inevitable. A new ministry came into power, however, in the meantime.

The new treasury officials decided that the Government would take a hand in shaping the course of the money market. They at once announced a discontinuance of the issue of any more short-term paper at 5½ per cent and 6 per cent. They prepared a prospectus of the new loan. This proposed two interest rates, in the alternative—one rate was about 5½ per cent subject to all income tax; the other rate was determined by subtracting from this higher rate the existing normal income tax rates, which fixed it at 4 per cent "with normal income tax compounded," but subject to supertax. The supertax rates then, as now, ranged as high as 42½ per cent. The loan campaign which followed in February was an immense success and the flotation of this loan at these rates is still pointed to as a great achievement of the Government. To-day the English 4's subject to supertax are at a premium, while ours are under 97. Since that time English Government borrowing and disbursements have been the chief influence in the money market, and discount rates have been following the rates at which treasury bills were to be had. When the sale of three-month treasury bills at 5½ per cent was suspended in January, 1917, their market at once fell to 5 per cent. At the end of April weekly sales of three-month treasury bills at 4½ per cent were inaugurated. On December 27 the rate for three and six month treasury bills was lowered to 4 per cent, and this brought down discount rates correspondingly. During the fore part of the present year three and six month treasury bills were sold as low as 3½ per cent, while bank-deposit rates went to 3 per cent. It may be contended that the loans made to England by this Government made these interest reductions possible. Perhaps a suitable reply would be that England has during this time been obliged to take care of an unfavorable trade balance of \$2,300,000,000; she has been obliged to maintain her international exchange situation, which required the payment of a separate and higher interest rate than her domestic rates; she has during the past year loaned her dominions and allies \$2,000,000,000; she has also been struggling along under the burden of \$24,000,000,000 indebtedness. It is also true that England did not float a large amount of bonds abroad during 1917.

Then, Mr. Chairman, why should not our Government, as the chief factor in our money market, which it is, exercise its influence to the extent consistent with our domestic conditions,

with a view to stabilizing the money market and keeping our interest level, not below a legitimate plane that would be fair to investors in the circumstances, but on what should be a basis reasonable to the Government, to the investors, and to the American people liable for repayment of all Government obligations contracted? I feel assured that our Government officials will do, and are doing, their whole duty in this respect. The Government here, as it has elsewhere since the outbreak of the war, has necessarily put its hands on transportation, on most kinds of production, and in a way on labor. It embargoes both exports and imports. It has, in other words, become a factor in the labor market, in the production and prices of foodstuffs, in the manufacture and prices of all essential war supplies, in shipbuilding, and in the operation and rate making of all lines of transportation. It is a still larger factor in the money market. It is not only the biggest borrower, but the biggest lender.

I am not indicating my views as to how high interest rates to the Government should go now or during the war, but I do emphasize the view, not to say the necessity, that no high point to which interest rates are bid up by a group of bankers or a group of other business men, or by any locality, for some temporary profit-making purpose, should be allowed to control the fair interest level for the Government waging this great war in behalf of all classes of people and of business. I am glad strongly to commend the Treasury's course thus far, and feel satisfied as to its future course. Let there be no profiteering in interest at the expense of the Government at this time of its dire need any more than in war supplies. With the Government the question of borrowing money with which to prosecute the war is immediately followed by the close secondary problem of how to deal with the huge debt which will exist at the end of the war.

On September 13, in closing my remarks in support of the second war bond-issue measure, I said:

The motto of every citizen should be, "To produce and to save." He should then be content to turn over to the Government, if necessary, the maximum amount of his profits and savings above the portion strictly necessary for personal and business requirements. If the war should continue for another year or more, the extreme necessity for producing and saving with a view of aiding the Government to the fullest possible extent will later become far more apparent than now.

May I, with emphasis, repeat this utterance? This should not only be the motto of every citizen, but of every department, bureau, and division of the Government. Foreign governments at war, as I know ours has and will in every possible way, have long since inaugurated many new systems and methods of checks and balances on expenditures, including a system of expenditure control in each department, with the result that large savings have been made without impediment or delay in the prosecution of the war. Some time ago the English Government caused an order to be sent throughout the army with respect to salvage. Salvage commissions to collect and deal with unserviceable materials were appointed. In the reply made by Mr. Bonar Law for the Government in the House of Commons on January 14, 1918, the following statement, among others, was made:

Amongst the results achieved: From waste fats collected from army camps alone have been produced (1) sufficient tallow to provide soap for the entire army, navy, and Government departments, with a surplus for public use, producing an annual revenue of \$4,800,000, in addition to saving valuable tonnage; (2) 1,800 tons of glycerine for munitions sufficient to provide the propellant for 18,000,000 18-pounder shells. The glycerine costs the Government \$300 per ton, as compared with \$1,500 per ton, the price of imported glycerine; (3) while over \$5,000,000 worth of military rags have been recovered and used in the manufacture of new cloth and blankets for the army.

The fourth and last report of the expenditures committee shows that from technical investigations savings of \$15,000,000 on cordite contracts have resulted; also \$175,000,000 on gun ammunition; \$10,000,000 on gun equipment; and \$5,000,000 on aircraft.

Mr. Chairman, may I divert from the bill long enough to say that England finally woke up to the fact that since her first advance toward Paris Germany's principal gains have been made by her propaganda system? England now has a minister of propaganda. It was my view months ago that this Government should set aside \$50,000,000 for legitimate propaganda work to expose and offset the German system and to present our true attitude and the real war situation to the people of Russia and of several other countries where this work has been sorely needed.

In conclusion, Mr. Chairman, I most heartily support this bill as the most desirable and efficient method of rendering financial aid so urgently needed. It will strengthen—not weaken—existing financial agencies. We are approaching a severe test of our financial strength. We can and shall successfully stand that test. To do so with greatest certainty and safety, however, a better and fuller realization of the huge burdens to be met and borne must be awakened in the minds of many citizens and business concerns.

Some personal and nonessential business sacrifices will have to be made, just as in other countries at war. Our war industries and our allies, for example, must have adequate fuel, even at the expense of the expansion of nonessential concerns.

All that is valuable and dear to humanity is at stake in this war. The achievements of hundreds of years in the higher, greater, and better development of government, education, Christianity, finance, commerce, and civilization itself hang in the balance. The Anglo-Saxon race fighting for the allied cause will not let them be stricken down. The outcome is not in doubt. I have had, and now have, the firmest and most unalterable faith in victory. We can, we must, we shall win. [Applause.]

APPENDIX.

FRANCE.

GOVERNMENT CONTROL OF ISSUE OF SECURITIES BY PRIVATE CORPORATIONS.

On May 31, 1916, the French Parliament passed the following "law restricting the right of issuing securities during the continuance of hostilities" (Journal Officiel, June 1, 1916, p. 4854; Legislation de la guerre de 1914-1916, vol. 4, p. 209):

"Sec. 1. The issuing, advertising, placing on sale, or introducing into the market in France of bonds or other securities of foreign governments or of stock or shares of whatever nature of French or foreign cities, corporations, or companies is forbidden from the date of the publication of this law until such time as shall be determined by a decree in council of the ministers after the cessation of hostilities.

"This provision, however, is subject to modification by order of the minister of finance.

"Sec. 2. Infractions of this law shall be punishable by imprisonment for not less than six months and not more than one year and by a fine of 1,000 to 10,000 francs; in case of a second offense by imprisonment for not less than one and not more than two years and by a fine of 10,000 to 25,000 francs.

"Section 463 (this section provides that when, in the case of a person convicted of crime, the jury finds extenuating circumstances, the penalty shall be modified in a certain manner, as set forth in the laws of May 13, 1863, Nov. 27, 1870, and Oct. 26, 1888) of the Penal Code shall apply to this law."

Two months after its passage the law of May 31, 1916, received an official interpretation from the minister of finance, in reply to a question put to him in the Chamber of Deputies by M. Bergeon.

The question was, Whether the law of May 31, 1916, is infringed by such companies as increase their capital without appealing to credit or publicity, but by inserting in a newspaper a notification of the calling of an extraordinary general meeting for the purpose of increasing the company's capital.

The reply was, The provisions of the law of May 31, 1916, place no obstacle in the way of the fulfillment by the companies of legal or statutory formalities required for the issue of additional stock. The placing of this stock, however, if effected by an appeal to the public or through publicity, falls under the ban of the law.

GERMANY.

GOVERNMENT CONTROL OF ISSUE OF SECURITIES BY PRIVATE CORPORATIONS.

[Proclamation of Mar. 8, 1917, relating to Government control of the issue of bonds or preferred stock (Reichs-Gesetzblatt 1917, p. 220).]

The Bundesrath, by virtue of the power vested in it by section 3 of the act of August 4, 1914 (RGB., p. 327), authorizing the Bundesrath to adopt economic measures, does hereby proclaim the following order:

"SECTION 1. Until further notice bonds issued within the Empire of a definite nominal value payable in money, which, in the proportion of such nominal value to the entire indebtedness give to the bondholders substantially equal rights, may not be put in circulation unless authorized by the Government. With respect to bonds payable to bearer, the existing provisions of law remain in force.

"Until further notice companies within the Empire may not issue preferred stock which entitles the holder to a definite maximum dividend fixed in advance unless authorized by the Government.

"Sec. 2. Such authorization may be given by the central authorities of the State in whose territory the person issuing the bonds has his domicile, or his industrial establishment, or in which the company has its principal place of business.

"The validity of the bonds or of the stock shall not be affected by the want of such authorization.

"Sec. 3. Whoever, contrary to the provisions of section 1 of this order, issues bonds or stock without the authorization of the Government, or acts contrary to the conditions accompanying such authorization, shall be punished by a fine not exceeding one-fifth of the nominal value of the bonds or stock which have been issued without the authorization of the Government, or with reference to which the conditions imposed have been violated; the minimum fine shall be 1,000 marks.

"Sec. 4. The foregoing order shall take effect on the day of its promulgation. The imperial chancellor may determine when this order shall cease to be effective."

STATE CONTROL OVER ESTABLISHMENT AND EXTENSION OF COMPANIES IN GERMANY.

[From Board of Trade Journal, Dec. 6, 1917, p. 517.]

According to the Deutscher Reichsanzeiger (Berlin) of November 6, a Bundesrath order, dated November 2 requires until further notice the consent of the State governments for:

"1. The establishment of a share company or limited company with more than 300,000 marks (about £15,000 at par exchange) of original capital. If shares are issued at a premium the actual issue price is the one to be considered.

"2. Any decision to make such an increase in the original capital of a share company or limited company founded after November 5, 1917, as will bring the original capital of such a company up to more than 300,000 marks; and any decision to make such an increase in the original capital of a share company or limited company founded before November 5, 1917, as will bring the total additions since that date to the original capital of such company up to more than 300,000 marks.

"3. Any decision to issue participating certificates conferring a claim upon the dividends of a share company or limited company, or upon a share of the property of such company in the event of its dissolution."

The State government competent to grant the requisite permission in any particular case is the Government in whose territory the company is question is established or is to be established. The imperial chancellor is authorized to prescribe that the consent may be granted only in agreement with himself or with an authority specified by him.

A regulation, dated November 2, issued by the imperial chancellor under this order, prescribes that the consent required by the order shall be granted by the State governments only in agreement with the directorate of the imperial bank.

GOVERNMENT CONTROL OF ISSUE OF SECURITIES IN CANADA.

[Text of orders in council Dec. 22, 1917; Jan. 9, 1918.]

CANADIAN ORDER IN COUNCIL, DATED DECEMBER 22, 1917.

Whereas it is advisable that the Canadian investment market should be conserved to facilitate the borrowing of the large sums of money that will be required for the prosecution of the war and to enable His Excellency's Government, if need be, to fully avail itself of the loaning capacity of the country for the paramount purposes of national defense, and that the impairing of the market should be prevented by forbidding the offering and sale thereof of securities for raising money for purposes the execution of which may, in the public interest, be postponed until peace has been restored, provision being made for the issue by the minister of finance of a certificate permitting the offering and sale of such securities as the said minister shall deem proper to except from such prohibition;

Therefore His Excellency the Governor General in council, on the recommendation of the minister of finance and under the provisions of the war-measures act, 1914, is pleased to enact the following regulations, and the same are hereby made and enacted accordingly:

1. It shall be unlawful within Canada, by or on behalf of any provincial, colonial, or foreign government, municipality, commission, local government, institution, corporation, or incorporated company to issue, sell, offer, or advertise for sale any bonds, debentures, or other securities evidencing an obligation to repay money borrowed, which may hereafter be issued by or on behalf of any such colonial or foreign government, municipality, commission, local government, institution, corporation, or incorporated company as aforesaid, or any shares which may hereafter be issued of the capital stock, whether preferred or common, of any such corporation or incorporated company, or to purchase or agree to purchase any of the bonds, debentures, or other securities or shares of capital stock aforesaid, unless the offering and sale thereof within Canada shall have been first approved by the minister of finance by his certificate of approval in writing: *Provided*, That nothing herein shall affect the issue, offering, advertising, sale, or purchase of any bonds, debentures, or securities of the Government of Canada, or the trading in any bonds, debentures, securities, or shares of capital stock heretofore issued and placed upon the market, or which shall have been originally issued and placed upon the market with the approval of the minister of finance evidenced by his certificate as aforesaid.

2. Any issue or sale made in contravention of the foregoing prohibition shall be deemed to be in excess of the authority of the provincial, colonial, or foreign government, municipality, commission, local government, institution, corporation, or incorporated company on behalf of which the same is made, and may be restrained by action at the suit of the attorney general of Canada in the public interest; and, moreover, any person issuing, selling, or offering or advertising for sale or purchasing or agreeing to purchase any such bonds, debentures, or other securities, or any shares of capital stock so issued, sold, offered, or advertised for sale, without the certificate of approval hereinbefore required, shall be guilty of an offense, and shall be liable, on summary conviction before two or more justices under the procedure prescribed by Part XV of the Criminal Code, to imprisonment for a term not exceeding one year or to a fine not exceeding \$5,000, or to both imprisonment and fine, in the discretion of the tribunal.

3. For the purposes of the foregoing regulations the words "sale," "sell," and "purchase," and their parts, shall be held and interpreted to include mortgaging, pledging, or parting with any right or interest in consideration of money, or, as the case may be, acquiring, by way of mortgage, pledge, or otherwise, any right or interest in consideration of money.

CANADIAN ORDER IN COUNCIL, DATED JANUARY 9, 1918.

Whereas the minister of finance reports that he is informed that securities have been issued and sold without the certificate of approval required by the regulations enacted by the order in council of the 22d day of December, 1917 (P. C. No. 3439), such issues having been made and securities sold and purchased by the parties concerned without knowledge on their part of the said regulations; and

Whereas in the case of these issues there would have been no objection, in the public interest, to the granting of a certificate of approval if it had been applied for, and as the effect of the said order is to make the securities illegal and the several parties liable to penalties, and as there may be other causes of a similar nature of which the minister of finance has not been advised, or which may arise in the future, it is therefore deemed desirable that the regulations should be amended and the following regulations enacted and made:

Therefore his excellency in council, on the recommendation of the minister of finance and in virtue of the powers in that behalf conferred by the war-measures act, 1914, or otherwise vested in the governor general in council, is pleased to make the following regulations and the same are hereby made and enacted accordingly.

REGULATIONS.

1. Notwithstanding any provisions to the contrary in the regulation enacted by the order in council of the 22d of December, 1917 (P. C. 3439), the minister of finance shall have power to give his certificate of approval for the offering and sale within Canada of any bonds, debentures, or other securities or shares of capital stock referred to in said regulations after the same have been issued, offered, advertised for sale, sold, purchased, agreed to be purchased, mortgaged, or pledged, or any right or interest therein has been parted with or acquired, and such certificate, or proper evidence of the issue thereof, shall be conclusive evidence that the offering and sale within Canada of the bonds, debentures, or other securities or shares of capital stock mentioned in such certificate was duly authorized and approved by the said minister; and that the issuing, offering, sale, advertising for sale, or otherwise dealing with such securities or shares, or any right or interest therein, was not done in contravention of the said regulations, and did not constitute an offense thereunder.

2. The minister of finance may grant his certificate of approval, as aforesaid, with respect to any bonds, debentures, or other securities or shares of capital stock referred to in the said regulations which have been of any be issued on or after the said 22d day of December, 1917.

3. The powers conferred upon the minister of finance by the said regulations and by these regulations may also be used and exercised by a minister acting for, or, if the office is vacant, in the place of, the said minister, and also his successors in such office and his or their lawful deputy.

ENGLAND.

GOVERNMENT CONTROL OF SECURITY ISSUES.

The Government control or regulation of security issues in the United Kingdom is effected to a large extent through the London Stock Exchange. As a condition of reopening the stock exchange the treasury made public a memorandum dated December 24, 1914, approving the opening of the stock exchange from January 4, 1915, subject to certain restrictions which the treasury therein imposed. One restriction is as follows:

"No dealings shall be allowed in any new issue made after January 4, 1915, unless specially allowed by the committee and approved by the treasury."

Another provision of this memorandum was as follows:

"It should further be borne in mind that many of the transactions which the rules are designed to prevent are illegal under the trading-with-the-enemy acts and proclamations or under the common law."

These various acts are then cited in the footnotes. On January 27, 1915, the treasury announced that the chancellor of the exchequer had appointed a committee to consider and advise upon applications received by the treasury for approval of fresh issues. The committee consisted of five persons, one of whom was the governor of the Bank of England and another a member of the board of trade.

On January 19, 1915, the treasury made the following announcement as to control of fresh issues of capital:

"In connection with the reopening of the stock exchanges the treasury have had under consideration the general conditions under which new issues of capital in the United Kingdom can be permitted during the continuance of the war."

"It appears to the treasury that in the present crisis all other considerations must be subordinated to the paramount necessity of husbanding the financial resources of the country with a view to the successful prosecution of the war. Accordingly, they wish it to be understood that until further notice they feel it imperative in the national interest that fresh issues of capital shall be approved by the treasury before they are made."

"Treasury approval will be governed by the following general conditions:

"(1) Issues for undertakings carried on or to be carried on in the United Kingdom shall only be allowed where it is shown to the satisfaction of the treasury that they are advisable in the national interest.

"(2) Issues or participations in issues for undertakings carried on or to be carried on in the British Empire overseas shall only be allowed where it is shown to the satisfaction of the treasury that urgent necessity and special circumstances exist.

"(3) Issues or participations in issues for undertakings carried on or to be carried on outside the British Empire shall not be allowed.

"(4) The treasury will not in ordinary cases insist upon the above restrictions where issues are required for the renewal of treasury bills or other short instruments held here and falling due of foreign or colonial governments or municipal corporations or railways or other undertakings."

"All applications should be made in the first instance to the treasury. The treasury will not be prepared to approve under paragraph 4 (3) of the temporary regulations for the reopening of the stock exchange (a) any dealings in new issues which have not been approved by the treasury before they are made."

On January 29, 1915, the following treasury notice as to control of fresh issues of capital was issued:

"The approval of the treasury should be obtained for all these issues of capital of whatever nature, whether made on behalf of a Government, municipality, or other public body, or any company, whether public or private. Treasury approval is not required for calls of installments on shares, stock, debentures, or bonds already issued."

"All applications for approval of fresh issues should be addressed to the Treasury the envelope being marked 'Capital issues.' In order to save delay and reduce correspondence to the minimum it is desirable that the fullest particulars should be given in each case."

On March 25, 1915, the following circular letter of the local government to local authorities as to approval of fresh issues of capital was made public:

"BORROWING BY LOCAL AUTHORITIES."

"SIR: In their circular letter of the 11th instant, the local government board referred to the decision of the lords commissioners of His Majesty's treasury to restrict capital issues by local authorities within the narrowest limits: (a) It was pointed out in the same circular letter that labor should be economized by local authorities as far as possible and that the inception of new works, except such as are of pressing necessity either for reasons of public health or on account of war requirements, should be avoided."

"The board have been in communication with their lordships in regard to this matter and it has now been arranged, in order to meet the convenience of local authorities and to avoid duplication of labor, that the sanction, approval, or consent of the local government board to any borrowing under powers conferred by public general acts or by local acts or provisional orders, under which such sanction, approval, or consent is required, shall suffice without any further approval by the treasury where—

"(a) The sanction, approval, or consent has been given on a date subsequent to the 12th instant; and

"(b) The money proposed to be raised is to be raised otherwise than by the issue of stock, bonds, or bills."

"Where a local authority hold a sanction, approval, or consent of the board of an earlier date than the 12th instant which has not yet been acted upon, whether wholly or in part, no further action must be taken upon it without a further sanction from the board authorizing the action unless the money is to be raised by the issue of stock, bonds, or bills, when the consent of the treasury must be obtained instead of the further sanction of the board."

"The treasury have further decided that their approval will not henceforth be required for the renewal or replacement by local authorities of maturing mortgages."

"With respect to the statement in the board's circular letter, to which reference is made in the first paragraph above that it has become necessary to avoid the inception of all new works except such as are of pressing necessity, either for reasons of public health or on account of war requirements, it must be understood that these terms will be construed in their strict sense."

"Consequently, before any application is made to the board with a view to the immediate execution of works, local authorities should fully satisfy themselves that they can show that the expenditure can not be avoided, postponed, or reduced. Any application should be accompanied by a statement of the facts upon which the local authority rely to prove these points.

"The treasury are anxious that the attention of local authorities should be particularly drawn to the fact that economies and restrictions on borrowing are possible not only as regards new works but also as regards works in progress. As regards these latter, it will frequently be found possible by arrangement with contractors or otherwise to postpone works or parts of them or to enlarge the period allowed under contract for their completion. In any case in which an application for sanction to this board or to the treasury is necessary, where works are in progress or are the subject of a contract, it will be necessary to demonstrate that every possible effort has been made in this direction before the extent of the application has been finally determined upon."

On May 18, 1915, the chancellor of the exchequer was asked in the House of Commons whether he was aware that the treasury has no power to prevent the registration of a new joint stock company in regard to which it has refused to approve the issue of the capital with which it proposes to operate, and whether he proposes to ask Parliament for power to prohibit the issue of such capital. The following answer was given:

"The treasury have no legal power to make their disapproval of fresh issues of capital effective, and the Government do not propose to seek such power at the present time. I do not, however, consider it probable that in present circumstances promoters will persist in propositions of which the treasury have expressed disapproval, or that if they do persist, such propositions will be supported by the public. Should they do so, the question whether any advantage they may thereby obtain over those who have been content to be guided by the rules laid down should not be counterbalanced by special fiscal burdens will not fail to receive careful consideration."

Mr. MOORE of Pennsylvania. Does the gentleman from North Carolina expect to proceed any further to-night?

Mr. KITCHIN. Has the gentleman anyone who desires to speak now?

Mr. MOORE of Pennsylvania. We had intended to yield some time to those in opposition to the bill. The gentleman from Pennsylvania [Mr. McFADDEN] is here, also the gentleman from New York [Mr. PLATT], and the gentleman from California [Mr. HAYES] has made some arrangement in behalf of these gentlemen.

Mr. KITCHIN. Do these gentlemen desire to be heard to-night?

Mr. McFADDEN. Mr. Chairman, it is now 6 o'clock, and there are only about 30 gentlemen in the room, and I think it is time to adjourn.

Mr. KITCHIN. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

The committee accordingly rose; and the Speaker having resumed the Chair, Mr. GARRETT of Tennessee, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 10608, the war finance corporation bill, and had come to no resolution thereon.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Young, one of its clerks, announced that the Senate had passed bill of the following title, in which the concurrence of the House was requested:

S. 3799. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent relatives of such soldiers and sailors.

The message also announced that the Senate had agreed to the amendments of the House to the bill (S. 1854) to save daylight and to provide standard time for the United States.

The message also announced that the Senate insisted upon its amendments to the bill (H. R. 9867) making appropriations to supply urgent deficiencies in appropriations for the fiscal year ending June 30, 1918, and prior fiscal years, on account of war expenses, and for other purposes, and had ordered that Mr. MARTIN, Mr. UNDERWOOD, and Mr. WARREN be the conferees on the part of the Senate.

ENROLLED BILL SIGNED.

The SPEAKER announced his signature to enrolled bill of the following title:

S. 1854. An act to save daylight and to provide standard time for the United States.

SENATE BILLS REFERRED.

Under clause 2 of Rule XXIV, the following bills were taken from the Speaker's table and referred to their appropriate committees, as indicated below:

S. 4090. An act to amend and reenact section 5200, Revised Statutes of the United States; to the Committee on Banking and Currency.

S. 3476. An act to authorize extension of a spur track or siding from the existing lines of railroad in the District of Columbia across First Street NE., between L and M Streets, to the build-

ings occupied by the field medical supply depot of the Army; to the Committee on the District of Columbia.

S. 3798. An act granting pensions and increase of pensions to certain soldiers and sailors of the Regular Army and Navy and of wars other than the Civil War, and to certain widows and dependent relatives of such soldiers and sailors; to the Committee on Pensions.

S. 3799. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent relatives of such soldiers and sailors; to the Committee on Invalid Pensions.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted to Mr. SCHALL for 10 days, on account of important business.

ORDER OF BUSINESS.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that the business in order on Monday next, the Calendar for Unanimous Consent, be dispensed with, that the bill H. R. 10608 be in order on that day, and that the business in order on Monday under the Calendar for Unanimous Consent be transferred to the Saturday following.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that the business in order on Monday next under the Calendar for Unanimous Consent be dispensed with and transferred to the following Saturday and that the War Finance Corporation bill be in order on Monday. Is there objection?

Mr. MOORE of Pennsylvania. Mr. Chairman, I have no objection to that, except that I would like to know whether the gentleman proposes to use all day Monday in general debate?

Mr. KITCHIN. Yes. I am going to make an arrangement about that afterwards.

Mr. NORTON. I would like to ask the gentleman how long he expects it will take before we finish this bill?

Mr. KITCHIN. We hope to finish the bill by Tuesday night. I regard it as important that we should take Monday for the consideration of this bill, and that we should transfer the business in order on Monday to Saturday, in order that that calendar may be considered. Following the consideration of this bill it has been agreed and understood that the Moon bill, increasing the pay of the postal employees will be taken up and considered. Between now and March 26 we will have to pass another bond bill, and it is important that this bill should be gotten out of the way, so that we can take up the bond bill at the earliest possible moment, because the liberty loan campaign will begin on April 6, and some printing concerning it must be had. I think this bill ought to follow right along until we finish it.

Mr. STAFFORD. Mr. Speaker, reserving the right to object, I suggest that the gentleman make his request that the business in order on Calendar Monday be transferred to Saturday only as to unobjected bills. I make that suggestion for this reason: A great many Members of the House, as the gentleman well knows, are from nearby districts and leave the city on Friday night.

If the agreement is that business in order on Monday will be transferred to the following Saturday, that would bring up important matters that would be controverted under suspension of the rules. There is a large Unanimous Consent Calendar at present, but on no call of the calendar since the convening of this Congress has that calendar been completed.

Mr. KITCHIN. You mean, to confine it to unanimous consent?

Mr. STAFFORD. Unobjected to.

Mr. KITCHIN. That is, motions for suspending the rules?

Mr. STAFFORD. Yes.

Mr. KITCHIN. I will modify that, Mr. Speaker.

The SPEAKER. How does the gentleman modify it?

Mr. KITCHIN. I modify it by moving that business on the Unanimous Consent Calendar and business on next Monday be dispensed with, and that unanimous-consent bills—that is, bills on the Unanimous Consent Calendar only, unobjected to—be called on Saturday next.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that the business properly coming up next Monday, unanimous consent and suspension of the rules and motions to discharge committees, be transferred to next Saturday, and that on next Saturday that no bills on the Unanimous Consent Calendar shall be considered except those unobjected to.

Mr. KITCHIN. In other words, the business on Saturday be confined to the Unanimous Consent Calendar?

The SPEAKER. That business on next Saturday shall be confined to the Unanimous Consent Calendar.

Mr. STAFFORD. That the order for next Saturday shall be bills on the Unanimous Consent Calendar, and that bills may be

considered on the Unanimous Consent Calendar that are not objected to.

Mr. NORTON. Mr. Speaker, a parliamentary inquiry.

Mr. GARRETT of Tennessee. Mr. Speaker, I ask unanimous consent that the business that would be in order under the general rules of the House next Monday be dispensed with.

The SPEAKER. Does the gentleman from North Carolina [Mr. KITCHIN] yield?

Mr. KITCHIN. I will adopt that suggestion and make that request.

Mr. CRISP. Mr. Speaker, I will object to that request.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that the business that would be in order next Monday under the rules be dispensed with, and that the bills on the Unanimous Consent Calendar be considered on the Saturday following, but that no motion to suspend the rules shall be made on that day. That gets what you are after.

The SPEAKER. Does that satisfy the gentleman from Wisconsin [Mr. STAFFORD]?

Mr. STAFFORD. That meets the request of "the gentleman from Wisconsin."

The SPEAKER. Why did you not say so?

Mr. STAFFORD. Because it was not submitted before, Mr. Speaker, in that form.

The SPEAKER. The gentleman from North Carolina [Mr. KITCHIN] asks unanimous consent that the bills in order on next Monday be transferred to next Saturday, and that next Saturday nothing except the Unanimous Consent Calendar shall be considered, and that no motion to suspend the rules or a motion to discharge committees shall be considered. Is there objection? [After a pause.] The Chair hears none.

INDUSTRIAL CREDITS—LIMIT OF GENERAL DEBATE.

Mr. KITCHIN. Now, I want to see if we can not agree that all general debate on the War Finance Corporation bill be closed when the committee rises on next Monday. I will not, of course, make the motion that the committee should rise before 5 o'clock anyway.

Mr. MOORE of Pennsylvania. Mr. Speaker, the gentleman from Michigan left a long list of those who desired to speak in general debate. I presume it will run over four or five hours. If the gentleman thinks we can get through on Monday, so that all these gentlemen may be accommodated—

Mr. KITCHIN. I will not move to rise until we do get through.

Mr. MOORE of Pennsylvania. All right.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that general debate shall be limited by the rising of the committee on Monday afternoon next. Is there objection?

There was no objection.

Mr. KITCHIN. That is general debate, and if we do not go under the five-minute rule for considering amendments on Monday, had we not better meet at 11 o'clock?

Mr. LONGWORTH. The gentleman has called a meeting of the committee at 10 o'clock a. m. Will he be able to finish?

Mr. KITCHIN. Oh, yes; because we will meet in this room.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none.

HOUSE OF MEETING ON MONDAY.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock on Monday.

The SPEAKER. Is there objection?

There was no objection.

ADJOURNMENT.

Mr. KITCHIN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 9 minutes p. m.) the House, under its previous order, adjourned until Monday, March 18, 1918, at 11 o'clock a. m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, a letter from the Secretary of the Treasury, transmitting copy of a communication of the president of the Board of Commissioners of the District of Columbia of the 14th instant submitting revised estimate of schedules of salaries for teachers and certain officials of the public schools of the District of Columbia for the fiscal year ending June 30, 1919, amounting to \$2,312,800 (H. Doc. No. 976), was taken from the Speaker's table, referred to the Committee on Appropriations, and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. HARDY, from the Committee on the Merchant Marine and Fisheries, to which was referred the bill (S. 1545) to amend the act of March 3, 1913, entitled "An act to regulate the off-licering and manning of vessels subject to the inspection laws of the United States," reported the same without amendment, accompanied by a report (No. 389), which said bill and report were referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. MAYS, from the Committee on the Public Lands, to which was referred the bill (H. R. 8444) for the relief of Ira G. Kilpatrick and Guy D. Dill, reported the same with amendment, accompanied by a report (No. 388), which said bill and report were referred to the Private Calendar.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Pensions was discharged from the consideration of the bill (H. R. 10300) granting an increase of pension to Mary J. Spate, helpless child of Joseph Spate, and the same was referred to the Committee on Invalid Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. CRAMTON: A bill (H. R. 10782) to amend section 2 of an act entitled "An act to amend section 4131 of the Revised Statutes of the United States, to improve the merchant marine service and thereby also to increase the efficiency of the Naval Reserve, and for other purposes," as amended by act approved October 22, 1914; to the Committee on Interstate and Foreign Commerce.

By Mr. PADGETT: A bill (H. R. 10783) to authorize the Secretary of the Navy to increase the facilities for the proof and test of ordnance material, and for other purposes; to the Committee on Naval Affairs.

By Mr. CRAMTON: A bill (H. R. 10784) to amend section 314 of an act entitled "An act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department," approved September 2, 1914, as added to said act by an act approved October 6, 1917; to the Committee on Interstate and Foreign Commerce.

By Mr. BACHARACH: A bill (H. R. 10785) to amend an act entitled "An act to authorize the issue to States and Territories and the District of Columbia of rifles and other property for the equipment of organizations of home guards," approved June 14, 1917; to the Committee on Military Affairs.

By Mr. GRAHAM of Pennsylvania: A bill (H. R. 10786) to confer jurisdiction on the Court of Claims; to the Committee on the Judiciary.

By Mr. FIELDS: A bill (H. R. 10787) to prevent the charge of exorbitant fees by agents or attorneys in the collection of war-risk insurance, and for other purposes; to the Committee on the Judiciary.

By Mr. MORGAN: A bill (H. R. 10788) to provide relief for the producers of wheat in the year 1917, and for other purposes; to the Committee on Agriculture.

By Mr. PORTER: A bill (H. R. 10789) to authorize the coinage of 2-cent pieces, and for other purposes; to the Committee on Coinage, Weights, and Measures.

By Mr. RAKER: Resolution (H. Res. 282) for the immediate consideration of House bill 10587; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ASHBROOK: A bill (H. R. 10790) granting an increase of pension to Welcome Ashbrook; to the Committee on Invalid Pensions.

By Mr. BRUMBAUGH: A bill (H. R. 10791) granting a pension to William J. Riley; to the Committee on Pensions.

By Mr. DILLON: A bill (H. R. 10792) for the relief of William H. Lee; to the Committee on Military Affairs.

Also, a bill (H. R. 10793) granting an increase of pension to Samuel H. Elton; to the Committee on Invalid Pensions.

By Mr. DYER: A bill (H. R. 10794) granting a pension to Kathrina Balthasar; to the Committee on Invalid Pensions.

By Mr. ESCH: A bill (H. R. 10795) granting an increase of pension to William P. Visgar; to the Committee on Invalid Pensions.

By Mr. FIELDS: A bill (H. R. 10796) granting an increase of pension to John M. Ison; to the Committee on Pensions.

By Mr. GODWIN of North Carolina: A bill (H. R. 10797) granting an increase of pension to Thaddeus Clark; to the Committee on Invalid Pensions.

By Mr. HAYES: A bill (H. R. 10798) granting a pension to Emma K. Jacobs; to the Committee on Pensions.

By Mr. IRELAND: A bill (H. R. 10799) granting a pension to Charlotta Mader; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10800) granting a pension to Della Voorhees; to the Committee on Pensions.

Also, a bill (H. R. 10801) granting a pension to George Bencher; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10802) granting an increase of pension to David P. Dunkle; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10803) granting an increase of pension to David B. Stockton; to the Committee on Invalid Pensions.

By Mr. KETTNER: A bill (H. R. 10804) for the relief of the heirs of Harold B. Stoebe; to the Committee on Claims.

By Mr. LANGLEY: A bill (H. R. 10805) granting an increase of pension to Jane Hampton; to the Committee on Pensions.

Also, a bill (H. R. 10806) granting an increase of pension to James A. Burke; to the Committee on Invalid Pensions.

By Mr. NEELY: A bill (H. R. 10807) granting an increase of pension to Jesse B. Jemison; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10808) granting an increase of pension to Joseph Letzkus; to the Committee on Invalid Pensions.

By Mr. REED: A bill (H. R. 10809) granting a pension to Isaac F. Lanham; to the Committee on Pensions.

Also, a bill (H. R. 10810) retiring Thomas Harrison, a clerk in the Naval Observatory, and for other purposes; to the Committee on Naval Affairs.

By Mr. RUBEY: A bill (H. R. 10811) granting an increase of pension to David M. Prater; to the Committee on Invalid Pensions.

By Mr. STERLING of Illinois: A bill (H. R. 10812) granting an increase of pension to Charles J. Mead; to the Committee on Invalid Pensions.

By Mr. TAYLOR of Colorado: A bill (H. R. 10813) granting an increase of pension to William H. Coleman; to the Committee on Invalid Pensions.

By Mr. TILLMAN: A bill (H. R. 10814) granting a pension to Maggie V. Stone; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10815) granting a pension to James H. Schneider; to the Committee on Pensions.

By Mr. WELTY: A bill (H. R. 10816) granting an increase of pension to Luther H. Angleberger; to the Committee on Invalid Pensions.

By Mr. ZIHLMAN: A bill (H. R. 10817) granting an increase of pension to John L. Wheeler; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. CAREW: Petition of the Wholesale Coal Trade Association of New York, relating to fixing of prices on bituminous coal; to the Committee on Agriculture.

By Mr. CARY: Petition of Newport Hydro-Carbon Co. and the Newport Chemical Works, both of Milwaukee, Wis., asking that excess-profits taxes be paid in installments; to the Committee on Ways and Means.

By Mr. DALE of New York: Petitions of the Wednesday Club, of Fort Smith, Ark., and other clubs and organizations of the United States, against increase in second-class postage; to the Committee on Ways and Means.

By Mr. DILLON: Memorial of Steven A. Hurlbut Post, No. 9, Grand Army of the Republic, of Elk Point, S. Dak., urging the increase of pensions of all Civil War veterans to \$50 per month; to the Committee on Invalid Pensions.

By Mr. ESCH: Petition of American Wood Preservers' Association, Baltimore, Md., against increase in postage on second-class matter; to the Committee on Ways and Means.

Also, petition of sundry citizens of Grand Marsh County, Wis., favoring closing all breweries in the Nation as a war measure; to the Committee on Agriculture.

By Mr. FESS: Petitions of citizens of the State of Ohio, pledging support of the Federal Food Administration, but pro-

testing against the waste of grain in the manufacture of intoxicating liquors; to the Committee on the Judiciary.

By Mr. HILLIARD: Resolutions adopted by the Wednesday Club of Fort Smith, Ark.; Lake View Woman's Club; Monday Club of Marshall, Mich.; Wednesday Morning Club of Cranford, N. J.; General Federation of Women's Clubs; Woman's Civic Betterment Club of Roanoke, Va.; Pen and Brush Club of New York, N. Y.; Sorosis Club of Chillicothe, Mo.; Penelope Club of Fort Worth, Tex.; Kappa Alpha Theta Alumnae Club of Greencastle, Ind.; and Cedar Falls (Iowa) Chapter, Daughters of the American Revolution, protesting against increased postage rates on periodicals; to the Committee on Ways and Means.

Also, petition of Maude M. Sanders, D. O., Helen R. McIlvain, Mrs. Nellie M. Clark, Louise Gunsaul, Mrs. E. M. Trexel, Mrs. J. T. W. Hall, and 32 others, all citizens of the State of Colorado, praying for immediate war prohibition; to the Committee on the Judiciary.

Also, petition of Mrs. C. M. Bayliss, Mrs. H. A. Keegan, Mrs. Alice Sater, Mrs. E. M. Howe, Mrs. R. B. Hughes, John L. Young, Joseph J. Weir, Mrs. Nellie E. Geer, Edna White, and Mrs. Cintra Dillon, all of Denver, Colo., praying for immediate war prohibition; to the Committee on the Judiciary.

Also, petition of Maggie Fraser, Mrs. A. D. Moss, Mrs. Sudie E. Flint, Mrs. Ella H. Stem, Florence C. M. Wilmot, Hiram D. Nicholson, Rose D. Woodworth, and 21 others, all citizens of the State of Colorado, praying for immediate war prohibition; to the Committee on the Judiciary.

By Mr. IRELAND: Petition of D. Turigliatti and other citizens of Toluca, Ill., favoring a law to punish persons or organizations responsible for pro-German activity; to the Committee on the Judiciary.

By Mr. LONERGAN: Petition of Advent Christian Science Church of Plainville, Conn., favoring immediate war prohibition; to the Committee on the Judiciary.

By Mr. LUNDEEN: Memorial of Lodge No. 11 of the International Boiler Makers, of Minneapolis, Minn., favoring no time limit for the return of the railways to private ownership; to the Committee on Railways and Canals.

Also, petition of Minneapolis Garden Club, favoring the daylight-saving bill; to the Committee on Interstate and Foreign Commerce.

Also, petition of Local Union, No. 15, of Plumbers and Steam Fitters' Association, of Minneapolis, Minn., favoring the passage of bills granting increase of pay to the Government employees; to the Committee on Appropriations.

Also, petition of the Credit Men of the Northwest, favoring retaining the present bankruptcy law permanently, and strongly opposed to any effort to repeal said law; to the Committee on the Judiciary.

By Mr. POLK: Memorial of Delaware Automobile Association, against the passage of House bill 5865, relative to tax on automobile owners; also petition of James P. Winchester, president Wilmington (Del.) Trust Co., relative to payment of excess-profits tax; to the Committee on Ways and Means.

By Mr. ROUSE: Resolution of the Allied Federated Crafts of Railway Employees of Ludlow, Ky., opposing any legislation that would fix a time limit after the war for the railroads to be returned to private ownership; to the Committee on Interstate and Foreign Commerce.

By Mr. STINESS: Petition of medical society and residents of Washington County, R. I., favoring the passage of bill granting increased rank to officers in the Medical Corps of the Army; to the Committee on Military Affairs.

SENATE.

Monday, March 18, 1918.

The Chaplain, Rev. Forrest J. Prettyman, D. D., offered the following prayer:

Almighty God, we lift up our hearts to Thee that we may draw from Thee those qualities of heart and mind that fit us for the duties and responsibilities of this high office. Thou dost minister out of Thine own hand direct the highest and best gifts to men who seek Thy face. We pray that the gift that Thou dost bring, that Thou dost inspire, that Thou dost breathe may be given to us this day, that with all purity of heart and purpose we may serve the people and serve God. For Christ's sake. Amen.

The Journal of the proceedings of Saturday last was read and approved.

DISPOSITION OF USELESS PAPERS (H. DOC. NO. 977).

The VICE PRESIDENT. The Chair lays before the Senate a communication from the Secretary of Labor, transmitting,